THE MAGAZINE OF WALL STREET

MAY 2, 1931

Is the Bear Market Over?

By A. T. MILLER

The Use and Misuse of Advertising

By DR. JULIUS KLEIN
Assistant Secretary of Commerce

Must Wages Come Down?

By LAURENCE STERN

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WITH THE EDITORS

Let's Have the Facts

WE recently read in a periodical the rather startling sub-caption, "Business Men Want Published Only Hopeful Forecasts No Matter What the Truth May Be." We differ vigorously with the tense employed in this statement. It may have been true during the latter phases of the boom which terminated in 1929. Indeed such an accusation was generally applicable in the months following the stock market break. But at present we believe that the country, even the world at large, is facing actualities—and wants to face them.

The futile attempt to camouflage the gravity of the world-wide depression that set in nearly two years ago, first by a Pollyanna philosophy and later by a studied endeavor to see only the bright and favorable superficialties has pretty generally nauseated American business. Now it is recognized that the failure to bring out all the inherent weakness and disease of the business life into the curative sunlight of public recognition only tended to delay recovery.

Business men today, in our opinion, want the facts about world conditions, about domestic business, good or bad, in much the same manner as they demand an accurate presentation of all phases of the affairs of their own companies. The realization is growing that falling commodity prices are not arrested by failing to note the figures or that explaining away the enormous increase in commercial failures is no cure for their inevitable effects.

This is rather the time when every weather signal in the business field should come in for special scrutiny and interpretation, whether the result indicates continued storm or the much hoped for relief of calmer seas. Moreover, there is increasing evidence that this is precisely the attitude of most sensible executives and investors. Certainly it is the one revealed in the queries and comments which reach this publication. It is the attitude which has encouraged us to continue to maintain the position of unbiased frankness and consideration of both favorable and unfavorable factors.

It is obvious to even the most casual observer that everyone has been forced to furl sail and to travel under reduced speed against the head winds of depression. By this time we have even become almost accustomed to the discomfiture of subnormal business and those who have weathered the storm so far are determined to ride it out. After twenty months of decline they are not fooling themselves with false prophecy or unfounded optimism or suppression of unpleasant news but rather exhibiting a salutary caution while awaiting authentic signs of conditions ahead. Canvas will not be freely spread until improvement draws near, but the men are ready to go into the tops and release it when the facts justify,—but the facts they must have. This is the platform of business common-sense for 1931.

In the Next Issue

Companies Which Have Strengthened Their Position By Dividend Adjustments

Curious as it may sound some of the most shrewdly managed companies are in a far more favorable position to reflect early improvement in business as a result of their frank recognition of their current earning prospect and a discontinuance or reduction in their dividend. Conservation of assets and strengthened working capital position contribute to their chances of sound and rapid recovery which will of course find early reflection in the prices of the securities. The issues in this feature have been specially selected by THE MAGAZINE OF WALL STREET staff.

Can Business Prosper on Low Commodity Prices?

By NICHOLAS T. CALHOUN

Also other features of timeliness and practical value.

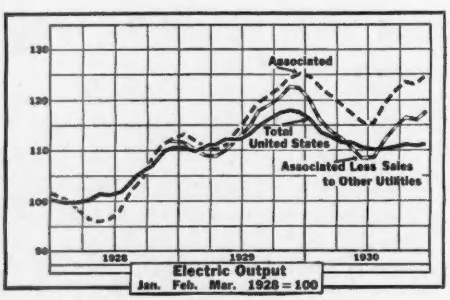
GROWING . . .

15% Faster than the Industry

PROPERTIES of the Associated Gas and Electric System produced an average of 14.3% more electricity each month in 1930 than the same properties at the beginning of 1928. This compared with 12.4% more for the United States as a whole . . . *a growth 15% faster.*

Two factors accounted for this . . . Opportunity and Management

OPPORTUNITY—The use of electricity per family in areas served by Associated System properties has been less than for the country as a whole, while at the same time, the buying power has been fully up to the average of the United States. Census figures show that the per capita value of manufactured, mining, and agricultural products in counties in which Associated System properties serve at least half of the population is $685, compared with $631 in all counties in the United States having electric service.



No adjustment for seasonal variation

MANAGEMENT—The New Business Departments of Associated properties have vigorously concentrated their sales efforts on appliances that produce comfort and save labor . . . refrigerators, radios, ranges, water heaters, lamps . . . 23% more of these appliances were sold in 1930 than the year before.

Low energy rates have been established throughout practically all properties of the System, making possible full use of electricity and gas at moderate cost. These rates, plus a buying power that is above average, should result in a continued wider use of electricity and gas in Associated counties.

290 *New Industries*

Output gain has been aided by the Associated System policy of co-operating with civic and business organizations in developing and attracting new industry to Associated territory. During 1929 and 1930 there were 290 new manufacturing concerns established in Associated areas . . . 515 served by the System expanded their facilities.

Rapidly increasing use of electricity and gas means larger and more stable earnings for the holders of Associated securities. The number of registered holders is larger than for any other gas and electric company. Nearly half of them are customers and employees of the System.

To invest or for information inquire of your security dealer, or address

Associated Gas and Electric System

61 Broadway New York City

E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Associate Editor

Investment and Business Trend

Competition Still Competes—Another Jobless King—We Scuttle from Nicaragua—Is Steel Overconfident?—Bonds Will Advance—The Market Prospect

COMPETITION STILL COMPETES

IF you enjoy a fight take a front seat for the joust that goes on without intermission between the railways and the automobile industry and its offshoots. "Strangulation, not Regulation!" screams the publicity clipsheet of the National Automobile Chamber of Commerce, referring to proposed laws for the regulation of trucks and motor buses. "We are taxed to build roads for use of our destroyers," moan the railways with mammoth tears, "make them pay their way or get off!" It looks like a duel to the death and some see in it a complete revolution of transportation before the victim takes the count. It's cruel and hard, this combat, but it seems to be an inevitable factor of economic evolution. The outcome will be that one day it will be found that the automobile has gone as far into the transport field as it can go and hold its lines and the locomotive has receded to a point where nothing can push it further back. Both sides having satisfied their honor as well as the requirements of adjudication by gage of battle there will ensue an era of co-operation and co-ordination.

ANOTHER JOBLESS KING

THE dethronement of King Alfonso XIII of Spain probably marks the final disappearance of the House of Bourbon from royal power—after eleven centuries. Nothing better illustrates the lack of reason in human affairs than that several nations of Europe should so long have entrusted their destinies to a family whose chief merit was that it once occasionally produced able men and women. There is no longer a real king in Europe. The few that remain are nothing more than symbols. The world has gone republican. Even the kings themselves —even Alfonso—are republican, for they acknowledge that the seat of power is with the people and not in divine right. There was a time when the downfall of a king would have been the signal for armies to move and guns to thunder. The only concern the world had as Alfonso fled was as to how much the revolution might affect business in Spain and elsewhere by sympathy. Nothing happened. Kings are in history. The nearest thing we have to kings nowadays are the heads of great corporations—except the dic-

tators. The former become less and less absolute and the latter are a negation of historic royalty.

WE SCUTTLE FROM NICARAGUA

THROUGH his new Nicaraguan policy President Hoover has in effect served notice on Americans that all their business adventures abroad are entirely at their own risk. If they happen to escape bandits, brigands and assassins and reach the coast a warship may protect them until they can embark for home. This is the logical result of the pacifist wave that is sweeping the world. Had it come a few centuries earlier the Indians would still hold America. Under its full application any band of savages anywhere is free to do as it may please with the persons or property of hapless foreigners. We shall not be surprised to witness a repetition of the bandit outrages in Nicaragua in many other parts of the world. Our retreat from Nicaragua is particularly disgraceful because through a policy that has been maintained there for many years we have given both natives and foreigners, as well as our own nationals, a pledge that peace would be maintained and life and property protected.

IS STEEL OVERCONFIDENT?

FOR having created unsaleable surpluses of almost every kind, the world is now paying a heavy penalty. We not only have too much of most products but some reputable economists fear that our mechanical productive facilities have significantly outrun consuming capacity. Under these circumstances it is all the more striking that the American steel industry added more ingot producing capacity to its mills in 1930 than in any previous year since the war boom of 1915. The 1930 capacity gain, as shown in the annual survey of the American Iron and Steel Institute, was 3,830,550 tons, or an increase of 6.1 per cent. This was nearly double the average annual rate of increase of 3.2 per cent for the preceding five years. The increase for the United States Steel Corporation in 1930 was 3.6 per cent, but additions to be completed this year will expand capacity 7.4 per cent further. The recent and present rate of increase is a new development, both for the Steel Corporation and the industry, and necessarily raises some interesting questions as to the probable future course of business. In expanding capacity at the fastest pace in fifteen years, the industry apparently is betting hundreds of millions of capital on the premise, always true in the past, that within a few years effective consuming demand will catch up with increased plant capacity. To justify such a policy at present, it must also be the view of the industry that current costs of expansion probably are smaller than would be future costs. What remains to be seen is whether aggressive expansion in the face of widespread depression is a remarkable vote of confidence in the future of American business or whether it represents preparation for increasingly intense competition. There is reason to believe that both factors are involved. Meanwhile the existence of surplus capacity makes it all the more difficult for the industry to obtain profitable prices for its products.

BONDS WILL ADVANCE

THE bond market suffers from much the same lethargy as the stock market. Prices sag for lack of interest rather than from any genuine bad news or any significant changes in the credit outlook. Except for temporary periods it is to be doubted that the oversupply of new issues constitutes an important difficulty. This is a curious situation for if the downswing in the stock market reflects lack of confidence in earnings then investor attention should logically swing the more decisively to senior securities. It has perhaps been retarded in doing so by the common stock mindedness in which a large section of the public has generally persisted since bull market days and also by dips which the bond market experienced at the time bonus legislation was proposed and subsequently. There are, however, current indications that both bonds and preferred stocks will come in for growing demand. As a matter of fact, the best grade preferred stocks currently show strength and gilt-edged bonds have receded but moderately from their top prices. The trend of bonds of this class, of course, depends chiefly upon institutional demand. Public demand is both apathetic and choosy. Foreign issues remain under suspicion. Reflecting the search for earning power, public utility bonds are faring better than the second grade rails. There is no lack of investment funds. Savings bank accounts are piling up at a record-breaking rate and in the short-term credit market money goes begging at pauper rates. The latter factor in itself is the best evidence of a continuing lack of confidence on the part of capital. It is a lack of confidence, however, which never endures very long in this country. History suggests that the ultimate more confident flow of idle capital into long-term investments will forecast, and constitute an essential element in, basic business revival. It may not be a forecast ventured long in advance, however, and possibly awaits a stronger general conviction that business is nearing a fundamental turn. Meanwhile there are some factors which tend to make the hiding places of cautious capital less and less comfortable. Most savings banks have reduced their interest rates and present credit conditions point to a further reduction, probably to a general level of 3½ per cent in New York State and possibly lower elsewhere. Restrictions on the amount of any single savings deposit are also being tightened. These changes should push some hoarded money into bonds.

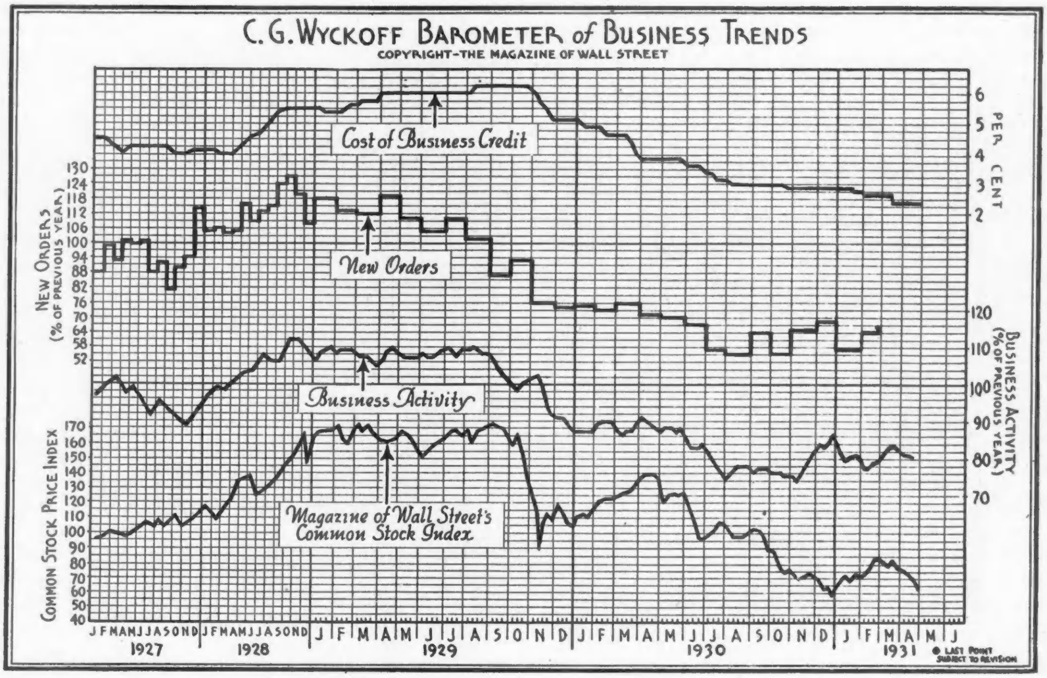
THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 12.

Monday, April 27, 1931.

Taking the Pulse of Business

Slow and Irregular Gains in Prospect



WE have now reached a point in the business cycle where there is danger that belated reports of discouraging past and present conditions will blind us to such evidence as exists of approaching better times. The poor earnings statements that are now coming to hand reflect unfavorable comparisons with a year ago which have for some time been disclosed by our Business Activity curve. Dividend reductions are among the logical consequences of six successive quarters of diminishing earnings. There is, however, nothing unexpected in these developments. They have been predicted here again and again, and yet the stock market has taken fright at news which has for some months been common property.

Practically all of the authoritative statistics show that not only the seasonal, but also the cyclical, low point in business activity was reached several months ago, and that the upturn since then has been slightly above seasonal proportions. This would lead one to expect that the current slackening in production, normal to late spring, will be of less than seasonal severity; so that, barring any unforeseen adverse developments to offset the course of business recovery we are justified in looking forward to slow though irregular cyclical gains in physical output from now on, with diminishing unemployment during the fall months. Such improvement would of course be hastened by some semblance of stability in commodity prices. An actual upturn is not essential, but a check in the downtrend of prices would greatly accelerate general progress. In any case, however, it should be remembered that it will be some time before any real gains in trade and industry will find reflection in more favorable earning statements, and further dividend reductions and omissions are to be expected for some months to come.

Interest rates have recently evidenced signs of softening in response to Federal Reserve efforts to avert a further influx of gold and a general lethargy in the demands of business for short term financing. On the other hand, bookings of new orders in leading industries, judging by a few early reports, appear to be holding up as well as could be expected, which accounts for the fact that the recent mild reaction in our Business Activity barometer has now been arrested.

¶ *Will the Present Market Duplicate the Performance of 1920-21?*

¶ *What Basis Exists for a Check in the Current Downtrend?*

Is the Bear Market Over?

By A. T. Miller

IN reversing the professionally-flavored first quarter advance and focusing renewed attention upon the actualities of business depression, the stock market has sagged down to a price level which, both to investors and speculators, is necessarily the most interesting and possibly the most significant since last year's wash-out of values culminated on December 16. Every fresh phase of reaction since the 1929 bull market structure came crashing down in ruin, has provoked some degree of hope. Each drop to a new low in the price line has been tentatively examined as a possible bottom. The monotonous regularity with which such hopes have been blasted thus far has contributed to a psychology of public pessimism which conceivably may vie with the tangible economic developments in controlling the course of stock prices during the remaining period of the depression.

Almost A Record

It is only natural that the gloomy stock market record of the last year should have such an influence upon financial sentiment. It has always been so with bear movements, resulting usually in a minimum public demand as the ultimate low point is reached. Unfortunately, we have little more tangible evidence now that a major business revival is close at hand than was available last December, although it is possible for an optimist to derive some comfort in the thought that the mere passage of time, providing latitude for basic readjustment, is fundamentally a bullish factor. Market reaction has now lasted approximately nineteen months. This bear market, therefore, already has proved to be one of the most protracted in financial history, only two months being required to match the twenty-one months of decline between November 3, 1919, and August 24, 1921.

It need scarcely be said, however, that precedent, considered alone, is by no means an infallible guide to the future course of stock prices. The vast scale of the bull movement from 1924 to 1929 was in itself wholly unprecedented, so there can be scant cause for surprise in a downward readjustment equally vast in scope. There can be no guarantee that the necessary economic correction will be completed within the length of time former major depressions have required to wear themselves out. As always, reliable evidence of a genuine turn must be had in the current business fundamentals rather than in such hopeful inferences as may be extracted from the dope chest of speculative history. On this bed-rock, factual basis, it must be conceded that at the present writing there is little visible evidence of any important change in the general business trend. Improvement is slow and will continue so.

Even if it is obviously impossible to place blind faith in speculative precedent, however, the remarkably close parallel between the basic trend of the 1920-1921 bear market and the present movement is so striking that it invites studious attention. A glance at the accompanying chart will readily reveal the similarity of the two patterns, a similarity close enough at least to provoke conjecture whether we may not see the end of the present bear market within the next four months and the resultant beginning of major recovery during the autumn or even earlier. Apart from precedent, there would seem to be some logic in such an outcome for, the spring months having failed to offer more than modest improvement in business, the next normal season of hope lies with the approach of autumn.

As between the situation in 1920-1921 and that at present there are, of course, various differences. One of the most striking of these is the increased velocity of speculative fluctuation developed in recent years. The intermediate swings of the present decline have been far wider than those of a decade ago. The 1920-1921 decline was of gradual inception, whereas the present bear movement was ushered in with a record-breaking crash. The basic downtrend of the last nineteen months has been on a somewhat steeper slant than in 1920-1921. None of these differences looms large enough, however, to cast any historical doubt on the interesting possibility that the ultimate beginning of major advance may closely parallel that of the closing months of 1921.

A Parallel?

In the present time of business uncertainty it is worth noting that the action of the stock market in 1921 reflected a considerable pessimism and skepticism as to the business outlook of that period, an advance in the forepart of the year giving way to a decline which established the final low late in August. Yet in retrospect it can be seen that business activity reached bottom in March, 1921, more than four months before the market decline came to a weary halt. Belated recognition of the start of basic recovery spoke little for the market's boasted ability as an economic forecaster in this instance.

While it is likely that the low point of the present business depression has been seen, the improvement now visible in some directions will have to spread over a wider portion of the business field to be accepted as constituting a general turn. There is promise in the increased consumption of cotton and wool and in expanded boot and shoe production, for these indices characteristically move early in the business cycle. They led the upward procession in 1921 and may now be doing so again.

The majority of the other widely accepted industrial indices are either moderately unfavorable or negative as May

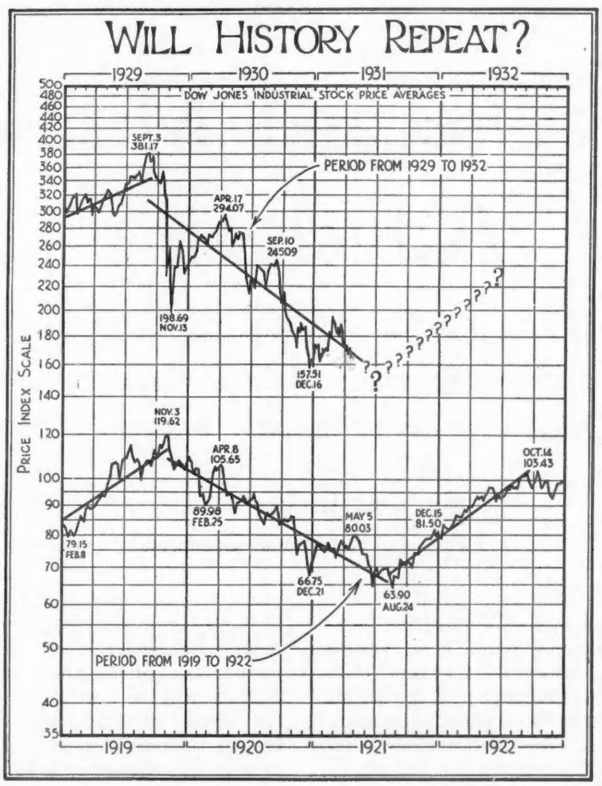
is ushered in. The favorable implications of a greater than seasonal increase in the letting of construction contracts during March have been cancelled by recent recession and it now appears probable that the year's construction volume must struggle hard to reach the 1930 figure. The optimistic expectations of the automobile industry are also subject to increasing doubt. It appears safe to assume that the 57 per cent rate of operation in the steel industry at mid-March represented the peak for the first half of the year, leaving little hope of a favorable producing rate prior to next October. The current car loadings statistics continue disappointing.

In addition the market finds cause for worry in the series of exceptionally poor first quarter earnings reports and the prospect that the second quarter statements will be little, if any, better. It looks forward to more dividend cuts and omissions. It finds no convincing evidence as yet that the protracted slump in commodity prices has halted. While it may be hoped that the foreign situation is on the verge of improvement, the major problems of depressed world trade, war debts, tariff barriers and maldistribution of gold remain unsolved. Uncertainty regarding the growing tendency toward wage cutting in American industry also looms large in the speculative picture, with opinion divided as to whether a reduced wage scale would speed or retard business revival. Prospective wage and dividend revisions definitely indicate that there is to be some further shrinkage in the public purchasing power. The American crop prospects, tentatively improved, can hardly have much effect upon sentiment until later in the year. Credit remains easy, and may be made still easier by a possible, perhaps probable, reduction in the rediscount rate of the Federal Reserve Bank of New York from 2 to 1½ per cent. This very ease, however, reflects business stagnation and a continuing lack of investment confidence, as indicated by sagging tendencies in the bond market.

The existence of these decidedly unfavorable conditions, of course, is not a conclusive bearish argument on the stock market, for it is only under circumstances of depression that bargain day can arrive for the long-term buyer of stocks. But whether that opportunity is here or nearly here is not so simply answered. Despite the easy speculative assurance which temporary, technical rallies may induce, it is not possible to assume with confidence that basic readjustment has been completed. The percentage of decline in stock prices to date, large as it is, is exceeded by the percentage decline in earnings of most industrial and rail companies.

In contrast to the rather violent decline which simultaneously established the leading stock groups at a 1930 low on December 16, the first quarter rally is being cancelled in a process of dull and irregular erosion. Such a movement increases the risk of error in attempting to estimate a logical halting point. Pressure is concentrated notably on rail and steel shares and the performance of these groups in coming weeks can hardly fail to dominate the general market. Public utilities, tobaccos and food issues show notable resistance, reflecting their relatively favorable base of earnings, and motors, coppers and mail order shares give some hint of a generally sold-out condition. The rail average has fallen decisively to a new low for the panic period and the industrial average has moderately penetrated the low of last December. These results normally call for some degree of early technical rebound but raise a question whether the market is to be dragged down in a material extension of the major bear movement before meeting more permanent support.

What appears to be lacking, however, is a suitable base, fundamental, technical or seasonal, on which substantial advance at present can be established or maintained. A violent decline and selling climax perhaps would provide such a base but there is little in dull reaction, interrupted by frequent small rallies to suggest such an outcome. There is no top-heavy margin position to be corrected, even if violation of the price level of last December should result in some increase of forced liquidation. Meanwhile the short position may be as crowded as Wall Street likes to believe but this is a factor on which the cautious investor will not rely heavily. It is of less significance than the absence of demand and the continuation of scattered liquidation. The violation of previous resistance levels by such leading stocks as United States Steel, Standard Oil of New Jersey, Atchison, New York Central and Union Pacific, to mention only a few, is not a matter that can reasonably be blamed upon bearish speculators. Conversely, the appearance of a demand more substantial than short-covering appears necessary to produce a convincing turn in such issues.



While there is an obvious advantage to the investor in buying in a decline rather than on a rally, the effort to guess bottom has proved premature, if not costly to many, for nineteen months. If there is one certainty in the present situation it is that an over-night bull market is not in prospect. Accordingly, there is scant reason for abandoning a policy of caution until the business skies are clearer.

Adherence to such a policy does not infer, of course, that the recent reaction is limitless. At the present writing, decline from the February peak has lasted nearly two months and may have completed the major part of the readjustment necessary to induce some intermediate change

(Please turn to page 64)

Advertising Bulks Large in the New York Skyline

The Use and Misuse of Advertising

If Advertising Is to Accomplish Its Rightful Part in Fostering Business Recovery It Must Awaken to Its New Responsibilities

By Dr. Julius Klein,
Assistant Secretary of Commerce

NOT long ago the sales manager of a small but prosperous concern manufacturing portable oil heaters dropped in at my office to review the trends of trade. He was just entering into the usual summer periodic decline and we were discussing the prospects of finding a possible corrective for this by seeking out a few foreign markets below the equator so as to counterbalance the seasonal slump.

Speaking of the equator and this seasonal factor, he remarked casually that along about the first of June they withdrew all of their advertising efforts and general sales propaganda below the Mason-Dixon Line on the theory that during the succeeding three or four months all heating arrangements were automatically taken care of by nature and his little portable device would be a drug on the market. His advertising manager apparently was responsible for this periodic shift in sales effort.

I asked him if he ever took the trouble to watch his isothermic lines. He looked at me quizzically and wanted to know if I were not getting a bit personal in my remarks. It was quite evident that my salesmanager friend needed a a little elementary lesson in climatic geography and so we got out some of those interesting daily maps of the Weather Bureau with the fantastic charting of the isotherms showing the "areas" of temperature throughout the country. And behold, here were great cool islands far down in the heart of the sunny South clear into late June and even July, due, of course, to the considerable altitudes of the mountainous stretches in many of the states.

Thanks to this apparently trivial slip, my friend was deliberately making a present to his competitors of these enticing markets where his little product could, with a continuance of local advertising in these special areas, have developed unmistakably a tidy trade. In fact, subsequent experience showed that this gift to his rivals had for years been mounting up to several thousand dollars annually.

Take another illustration of misdirected advertising counsel. An insecticide was recently put on the market intended especially for farmers in the fertile, irrigated valleys

of our Southwest. Being a new product it was much in need of an intensive initial advertising drive. This was put in charge of a vigorous, "go-getting" agency, which knew a good deal more about several things in connection with space rates, commissions, and so forth, than it did about a crucial little bit of entomology. It proceeded to stage the campaign for its client in several farm journals and local papers circulating in that area *after* the crop was in and the destructive stage of the particular insects involved was already concluded. Fine for the bugs, but not so good for the bewildered and disappointed client!

Modern advertising is quite evidently becoming less and less a matter of megaphones and more and more one of microscopes.

Ringing the Bell

In these days of intensive competition and vigorous cost-slashing campaigns, your anxious executive is no longer looking to his advertising advisors for "a big platter of bounteous copy smothered in juicy words and succulent phrases," as a plain-spoken industrial executive put it recently. He no longer wants his publicity, to change the figure, "as a boat load of impressions wallowing in a sea of brilliant bombastic jargon."

Noise and volume of copy are indubitably potent for certain lines at certain times for certain kinds of people, but there are other essentials of rapidly increasing significance. Industry no longer checks the merits of its advertisements by their steam calliope qualities. The one noise that counts is the tinkle of the bell in the cash register, and unless advertising can establish some direct relationship with that crucial note, it is not living up to its responsibilities.

And there is less and less excuse for any failure to do so. The facilities for accurate market appraisal and for that sound counsel in sales generalship and strategy, which is a part of intelligent publicity management these days, have never been so complete, so readily available.

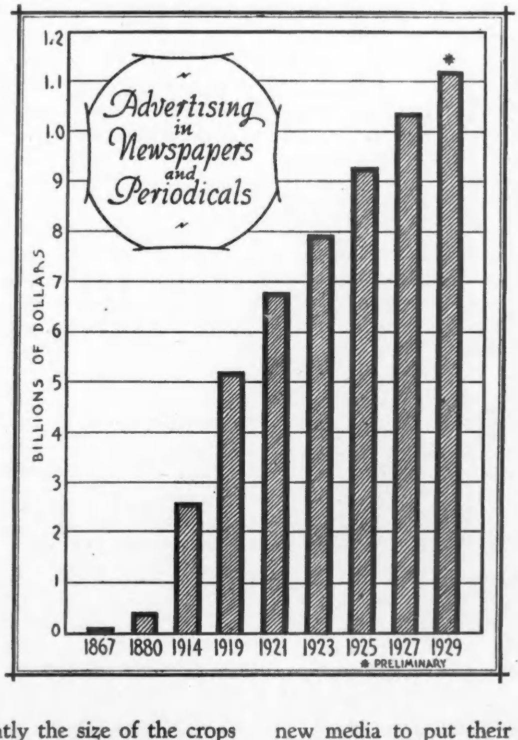
Of course, a reasonable degree of intelligent initiative has got to be assumed on the part of those who are charged with the responsibility of appraising and stimulating new market prospects. They cannot expect to find quite such a convenient short cut to the solution of their problem as the old Egyptian tax assessors used to have in their Nilometer. That was the ingenious gauge marking the heights of the flood levels of the great river, which showed the subsequent extent of the inundated areas and consequently the size of the crops (and, therefore, the taxable assets) several months hence. With all of the multitudinous factors affecting buying power in this country, there are few, if any, "Nilometers" for the instantaneous, short-cut calculations of those hurried ad-men who are "too busy" (if there be any such these days!) to bother with elementary market research.

The situation is being further complicated by the fact that a host of vigorous new developments within the last few years are rapidly altering the market map of the country—new networks of gas and oil pipe lines, airways, bus services, and long-distance power transmission. Right there we have one of the most compelling new responsibilities of the advertising counselor. The swift transformation, which is going on before our very eyes these days, in these vital fields of transport, are dislocating in all directions the older channels and currents of trade and industry. The resultant alterations in buying power of communities in both directions—favorably and otherwise—inevitably affect sales strategy and, therefore, advertising policy. New markets are springing up and old ones are being modified by the creation of new cross-roads of traffic, by the projection of industrial growth away from congested areas and into the low-rent, cheaper labor zones in rural districts.

No advertising counselor is living up to the requirements and possibilities of his job if he is not keeping a watchful eye on the data now being periodically released by the Census Bureau on these far-flung reactions of new forces in our economic life. The old simplicities of industry and trade are being rapidly complicated by these unprecedented developments and by hosts of others,—what Mark Wiseman has so aptly called "the kaleidoscopic drama of business"—all of which is making the ad-man's job more intricate, intensely more significant and interesting.

New Developments Demand New Methods

Take the changes that are going on in retailing. John Guernsey, who is in charge of the Commerce Department's Census of Retail Distribution, believes that one of the most marked trends disclosed by the new retail census is the widespread encroachment of almost every type of retail business into fields habitually occupied by specialty stores. Hardly a retail business is truly described any longer by its popular designation, such as hardware store, drug store, fur shop, or even gasoline station. We find furniture stores opening up beauty departments, and music stores selling foodstuffs. In Washington the census shows that the grocery shops are edging the butcher shops out of the picture by devoting no less than 41 per cent of their business to the handling of fresh meats. Clothing stores sell only 48 per cent of the clothing distributed in Baltimore, and a third of the hats are not sold in hat stores.



All of which means that the alert advertising agency engaged in catering to the interest of such retailers or to clients selling these wares, must resort to new media to put their message across effectively. There must be a much more exacting scrutiny of all the possible vehicles for advertising—the daily press, the trade papers, the radio, the business magazines, to discover those which reach directly and forcefully these shifting, elusive objectives.

The depression has naturally made business more exacting in its requirements of service from its advertising expenditures. We are no longer living in the bounteous days

of ample margins, easy profits, and plenty of them. Charles F. Kettering, the Research Executive of General Motors, very pointedly expressed this new view of the industrialist: "We go through our factories and tear down articles and we make them better and save three cents here. And another fellow will work for six months in order to make a saving of four cents. And then if we look at some of this 'dumb' advertising, it makes us engineers sore to think you (ad-men) are spending $16,000 for a single display 'spread.'

Now that is putting it a bit strongly, but obviously, in these days the leaders of industry are coming to expect very considerably more from their publicity expenditures, whether they are $16,000 or $16. And the advertising profession will recover its prestige and its profits just as rapidly as it responds to these new requirements—just as rapidly as it precisely and accurately measures its real markets and then concentrates on such vehicles for its appeal as reach that market directly.

Translating Interest Into Sales

Certainly advertising talent is capable of achieving this end. Indeed it is my conviction that there is no business group in America which as a whole can match our advertising counselors in well-informed resourcefulness, in alert eagerness to catch any essential detail however obscure. We have no service profession more loyal as a group to its exacting self-imposed standards of good conduct. There is, however, just enough of a small minority of backward, less competent membership, to raise occasional doubts in the minds of some of the more exacting clientele of advertising. And it is those doubts which I am anxious to dispel, as a determined—I might almost say hopelessly biased—enthusiast for our unquestioned superiority in this field. For I am not blinded to the magnitude of the problem which confronts the advertising business at this time—the problem of translating interest into sales.

After all, as some one recently expressed it, any crafty window-dresser can block the sidewalk with a gaping throng, but it takes real pulling power for publicity to draw the crowd not simply to the window, but through the door and to extract the change from its respective pockets. Business no longer wants copy which simply inspires the reader to observe, "What clever artists these ad-men are nowadays!" On the contrary, it wants copy which makes the prospect burst with enthusiasm over "this new double-action, noiseless alarm clock."

And it wants especially to be sure that the said prospect is the kind who can turn his enthusiasm into action in the form of a purchase. It is obviously futile to attempt the creation of a wholesale desire among those who are not at least potential customers. The Romans used to say that when they listened to Cicero, there were bursts of applause for the mighty orator, but when they listened to Cato, they trembled with rage and shouted with him that "Carthage must be destroyed." Advertising these days must be of the action-getting variety if it hopes to survive. It must be a real publicity counselor, not simply an ambidextrous juggler of circulation statistics.

I do not propose, for obvious reasons, to analyze in detail the relative merits of the multitude of instruments which advertising has at its disposal to contend with these new problems of better, more accurate marketing. Much depends, of course, upon the peculiarities of the given market. The first problem, therefore, would seem to be the careful analysis of that market. For example, in the case of some product being sold to industry rather than to the ultimate consumer, it is important to realize that out of the 3,073 counties in this country, about two-thirds of our manufacturing is done in those 73, and the remaining 3,000 are of lesser consequence. Your shrewd advertising director will immediately wish to inform himself as to the whereabouts of his client's potential outlet to drill the bull's eye of that target through with a rifle bullet, so to speak, rather than to spray the landscape vaguely with futile blasts of small shot. By that I do not mean, of course, that national advertising is of dubious value. It has its obvious purposes and advantages for commodities which enjoy or ought to have a national market. But in so many cases it can be attained only after preliminary specialized efforts reaching exactly the buying power which is most apt to be immediately responsive.

Changing Responsibilities

The advertising profession is recognizing these new responsibilities. The stress of recent times has undoubtedly accelerated its zeal, as we are observing here in the Commerce Department through the vastly stimulated use of our materials for market analyses. One instance of the recog-

(*Please turn to page 65*)

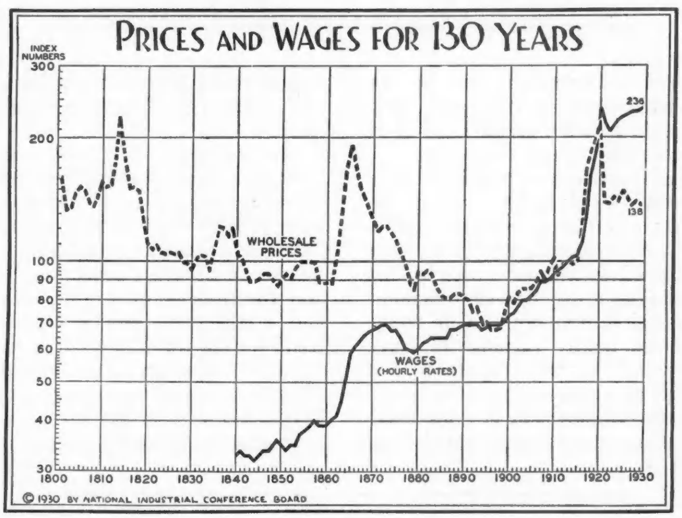
A Broadside May Get the Rabbit But More Concentration Would Certainly Save On Powder

Must Wages Come Down?

Protracted Decline in Commodity Prices Raises a Question Whether American Wage Standards of Recent Years Will Be Maintained—The Urge of Business to Reduce Production Costs Is Already Resulting in Reductions—How Far Will the Movement Go?

By LAURENCE STERN

INEXORABLE forces of depression have substantially deflated the stock market, corporate profits, dividends and commodity prices. The late 1929 illusion of a "fundamentally sound" business structure, only casually related to the speculative crash, has long since given way to frank recognition of the necessity of basic economic readjustment. The question weighting heavily upon the collective business and financial mind is whether this process is now to include "the liquidation of labor." In short, must the American wage standard be deflated?



It is a question on which the cleavage of controversial opinion has become more and more sharply defined in recent weeks. It is not to be denied that there has been, and is continuing at the present time, an increasing trend of business sentiment in favor of reducing wage scales in some reasonable proportion to the reduced cost of commodities. This movement, if it can be so designated, has brought from President Hoover a reiterated advocacy of the principle of wage maintenance. There are obvious reasons for believing that this official point of view is having less influence in the existing situation than was the case at the close of 1929 and in the early months of 1930.

But while the development of a general trend toward lower wages may have some "snow-balling" effect, due both to psychological factors and the governing influence of trade competition, there is not the slightest evidence of any organized campaign for labor deflation on the part of banking interests or Big Business. Under our present economic system it is to be doubted that business is any more capable of organized wage control than it is of price or profit control. Hence, vague charges that "the bankers are determined to liquidate labor" may be dismissed.

The problem is vastly complicated but largely impersonal. In viewing it, it is difficult at the outset to escape the conclusion, based on previous industrial history, that the outcome, whatever it proves to be, will be little affected by any conscious social or business philosophy. Nevertheless, the current trend of wage thought among business leaders is both interesting and pertinent. It follows three broad lines although the opinion of many executives naturally is colored by the needs of their own enterprises. One group firmly believes that wage deflation, by reducing costs, will strengthen the entire business fabric and hasten sound revival. Another regards labor not as an item of cost but as a consumer of mass production and believes, therefore, that any material lowering of the wage standard would prolong depression. The third group asserts that discussion of the principle can have little or nothing to do with the result since wages, like dividends, will be controlled not by human desires but by the circumstances of individual employers.

Few Outspoken Champions

Business leaders who publicly advocate wage deflation are hard to find, as is not surprising, since this is the unpopular side of the question. It is no secret, however, that the number of those who privately hold this view is large and there is reason to believe it is growing. They contend that the real earning power of the workers who remain fully employed has been greatly increased in terms of purchasing ability and that for this reason a moderate adjustment of wage scales to reduced commodity prices would be fair. They assert that such an adjustment would make possible a reduction in prices of finished goods, thus inviting heavier purchases, especially from the farm population, and stimulating export demand. This cycle is seen by some as creating a greater demand for

labor, expanding production sufficiently to offset lower prices and ultimately justifying renewed wage increases in the return of general prosperity.

Those who accept this point of view argue that it is supported by the experience of 1921. In that depression the modern theory that high wages make prosperity had not gained wide acceptance. Business men were inclined to regard labor essentially as a cost of production, to be deflated along with commodities. There was no political intervention in favor of wage maintenance. Wage scales came down quickly, although the extent of the deflation, as will later be seen, was far less than is popularly supposed. Some economists assert that this quick adjustment played an important part in the business revival which gathered force in 1922 and 1923. although it need hardly be said that the actual relation of cause and effect in this connection is open to dispute.

On the other side of the picture and requiring little analysis, we have the theory, also obviously open to debate, that maintenance of an ever-rising wage standard is the real basis of prosperity. Before considering the views of some of the prominent executives who have been willing to see publication of their opinions it may be well to examine some of the available statistical information. This article is concerned with the average hourly earnings of those employed, there being no other practical approach. It need hardly be said that labor as a class has been "deflated" if unemployment and part-time employment be considered. Maintenance or reduction of the wages being paid the employed, however, constitute the immediate problem facing business.

It is a problem which undoubtedly contributes to the hesitation currently reflected in the static course of business. It likewise is one of the important elements of uncertainty to which dullness and sagging price tendencies in the stock market probably can be attributed.

The general standard of wages prevailing in the prosperous period from 1924 to 1929 was maintained with striking stability for months after the stock crash of 1929. As late as July, 1930, in fact, the average hourly earnings of manufacturing workers were not significantly under the all-time peak of approximately sixty cents, a figure first reached in the 1920 post-war boom. Wages began to show a perceptible weakening in the early autumn of 1930 and by the end of last February, the latest official estimate available, had dropped to 57.7 cents an hour. Since then there probably has been some further slight recession. The drop of 2.3 cents from July, 1930, through February, 1931, represented a decline of approximately 3.8 per cent from the peak, while commodity prices since July, 1929, have declined more than 21 per cent. These wage figures cover 700,000 workers in twenty-five major industries and are obtained from the monthly reports made to the National Industrial Conference Board by 1,800 firms. They show beyond dispute that a definite beginning toward wage reduction has been made, regardless of optimistic generalities to the contrary.

The existence of a down-trend is confirmed by the monthly reports of the United States Department of Labor. These figures provide an incomplete picture and can not be interpreted in terms of dollar wages. Covering 13,000 manufacturing concerns, however, they show a marked gain in the number of net wage reductions during the last half of 1930 and the number of workers affected by such wage cuts, and a still more pronounced development of the down-trend during the first quarter of this year. In these three months 903 concerns reported reduced wage scales for 126,103 persons, the cut averaging approximately 10 per cent. In number of workers involved, this was three times the average monthly rate during the second half of 1930.

From the labor point of view, the current situation undoubtedly is worse than these records indicate. Wage cutting is reported to have been prevalent among many small establishments not covered by the Department of Labor records. Furthermore, while there has been a change in the social concept of wage standards since 1921, there is reason to believe that it may cloak no little hypocrisy at present. Many indirect methods of wage cutting are being employed, notably in the building trades.

What can be said with certainty, then, is that wage reduction has attained important proportions and that the decline, if much less pronounced thus far than in 1921, is neverthe-

Wage Reductions No Bar to Recovery

Says Pierre duPont, Chairman, E. I. duPont de Nemours & Co.

"I am not yet convinced that reduction in the present American wage standards would affect the recovery of normal business conditions. Many believe that 'wages must be deflated' before we can have a return to normal, but I have heard no reason given for this belief, though on the other hand the statement may be correct. Undoubtedly, labor is now receiving less compensation per month due to restricted hours per day or days per month. Those who receive monthly salaries as a class have been affected by reduction forces, so that overhead costs have been correspondingly lessened. This subject is one of great importance and should be given much careful thought before action is taken."

Wages Will Have to Be Adjusted

Says L. F. Loree, President, Delaware & Hudson Railroad

"I believe a commercial depression to be the normal consequence of progress and if we ever eliminate depressions it will be because progress has ceased. Progress is the cause of a vast dislocation of management, capital and labor, and the period of depression seems to be the period necessary for readjustment and preparation for a succeeding advance. What we can do is to study to recognize the maladjustments, to resolutely address ourselves to the necessary readjustments, speeding these in every way possible. Undoubtedly many prices are still too high and will come down. Wages in some cases are too high and will have to be readjusted, and many trade and labor practices which make for high costs must be abolished."

less sufficiently marked to provoke insistent conjecture as to results during the months to come. There seems to be a growing Wall Street opinion that only a comparatively early business revival or an upturn in commodity prices can block at least some moderate extension of the wage cutting tendency.

In this connection the early possibility of wage cuts in the steel industry is of especial interest and concern at the moment, since it is only natural to anticipate that reductions will tend to develop first in industries employing non-unionized labor. It may be assumed that no steel management likes to take the initiative in announcing wage cuts but this hesitancy can not indefinitely postpone action. It is suggested that in some instances dividend and wage revisions may come simultaneously. Initial action by one of the relatively large units in the industry probably would quickly be followed by competitors. The railroads, much as they would like to effect a saving in labor costs, fear the opposition of the powerful railway brotherhoods and also are deterred by the attitude of the Hoover Administration.

C. M. Chester, Jr., president of the General Foods Corp., states to the writer his opinion that "a general trend toward lower wage scales might seriously retard the recovery of business" and his conviction that "every other means of effecting business economies should have been applied before any general program of wage reduction is contemplated."

On the other hand, L. F. Loree, veteran president of the Delaware & Hudson Railroad, speaking from the rich personal recollection of many booms and depressions, asserts with equal conviction that "wages in some cases are too high and will have to be readjusted."

Alfred P. Sloan, Jr., president of the General Motors Corp., has indicated his concern over the problem by saying: "Industry as a whole is dependent upon the purchasing power of the individual now more importantly than ever before. It is of prime importance that the spread between the cost of the necessities of life and the income of the individual should be maintained in order that there may be available purchasing power for the conveniences of life, in the production of which there is afforded employment for many."

Albert H. Wiggin, chairman of the Chase National Bank, has summarized the contrary point of view, as follows:

"It is not true that high wages make prosperity. Instead, prosperity makes high wages. When wages are kept higher than the market situation justifies, employment and the buying power of labor fall off. American business has proved its good will in dealing with labor on this point in the past year, and many industries may reasonably ask labor to accept a moderate reduction of wages designed to reduce costs and to increase both employment and the buying power of labor."

James A. Farrell, president of the United States Steel Corp., voices vigorous dissent. "Apparently," he says, in referring to suggested wage cuts, "those who advocate this solution have not stopped to weigh the implications: that instead of tending to increase consumption of our industrial and agricultural products, such wage reductions must inevitably reduce the purchasing power of the wage earners and restrict consumption. It is my deliberate judgment that a general reduction of wages in this country, instead of relieving the situation, would set back the impending recovery by at least two years."

William Green, president of the American Federation of Labor, recently asserted: "This movement to reduce wages at the very moment when business depression appears to be reaching bottom is most untimely. Wage reductions are not like price cuts, for workers are human beings. Reduce their incomes and you cut away the market for industry's product. If wage cuts continue, we will limit our ability to pull up quickly from this depression."

Wages Should Be Maintained

Says C. M. Chester, Jr., President, General Foods Corp.

"Speaking for one unit of the food industry only, we believe that wages should be maintained. We can see no need at this time for wage reductions and we do not contemplate any. Any such reductions, at a time when employment already is considerably curtailed, can have but one result—materially lowered purchasing power. It is essential in our opinion, that our standards of living should be kept as high as possible, and any general movement to lower wages must inevitably react immediately upon such standards. I do not mean to infer that wages have no relation to commodity prices. In some industries wages constitute a large proportion of production costs. However, a general trend toward lower wage scales might seriously retard the recovery of business. We are firmly of the opinion that every other means of effecting business economies should have been applied before any general program of wage reduction is contemplated."

In considering the argument, advanced by some economists, that the future wage trend must be determined largely in accordance with fluctuations in the cost of living, it is interesting to note that the charted history of wages and wholesale commodity prices in this country for ninety years back shows a decidedly imperfect relationship between the two lines. Sharp inflation of commodities and wages, notably in time of war, have invariably gone hand-in-hand, but in the recurrent reversal of this process wages have shown far greater resistance to decline than have commodities. In the depression of 1873, for example, commodity prices declined 30 per cent and wage rates only 14 per cent. The disparity in 1921, as can be seen from a glance at the accompanying chart, was even wider, the fall in prices having been so much greater than in hourly wage rates that workers employed full time actually possessed a greater purchasing power at the bottom of the depression than at its inception. That era of hard times, indeed, did not break wage rates even to the average level of 1918. The bulk of the war-time gain was retained in the face of a notably sharp commodity decline and the small 1921 recession was made up within a few years.

A similar result followed the Civil War inflation of wage rates, although in this instance nearly thirty years were required to exceed the peak wage standards of the early 1870's. It is possible even for wages and commodities to move in opposite directions, as happened for fifteen years from 1880 to 1895. In percentage the temporary wage

(Please turn to page 37)

Trade Must Seek the Far East

Great Outlet for America's Mass Production Seen in the Stimulation of Consumption by the East's Massed Population

By Theodore M. Knappen

COLUMBUS set out to find Asia by going west, and discovered America. The United States, always facing westward, in its development, now finds that it has arrived in the Far East. The future of the new west now depends much upon the future of the old east. The highest living-standards people in the world turn to those of lowest standards to maintain them in their high estate.

Heretofore we have looked to new lands, of sparse population, for the expansion of foreign trade that seems to be demanded by our exuberant capacity to produce faster than our home market can consume. Canada and Latin America have focused our attention. We have sought to grow up with the new countries and have rather scorned the thickly settled ancient seats of humanity. Now we are turning to a new conception of foreign trade, which is that it is more profitable to increase the consumptive capacity of a billion people than to wait for sparse populations to grow numerous and rich.

Asia has more than half the population of the world, and of that half India and China alone have about 75 per cent.

Add a dollar per capita a year to the importing capacity of the 450,000,000 Chinamen and the 360,000,000 Indians and you have a new market approximating 900,000,000 dollars—more than half the present import trade of South America.

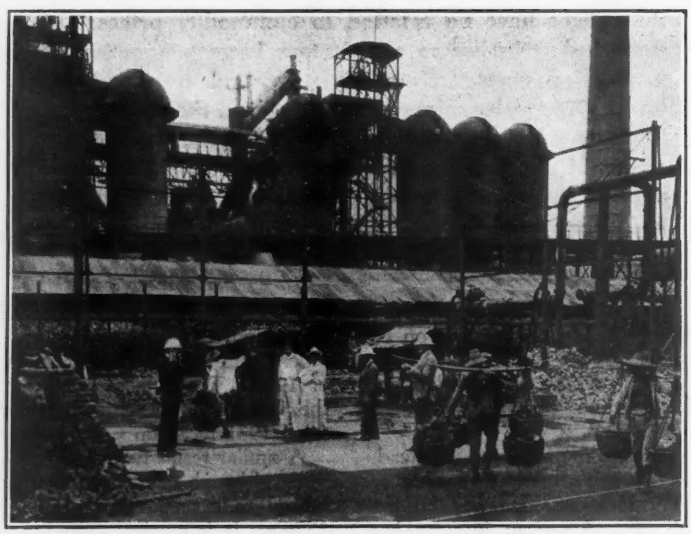
Make the increase $5 and you have a new potential market equal to the entire present export trade of the United States.

Moreover, here is a vast population which, to a very large extent, requires what we wish to export and ships us what we welcome. Our pioneering job in other lands has been to help put people on the land. Here it is to increase wealth by arousing the desire of swarming populations for wealth, and providing the means of attaining it. Our domestic prosperity has been due in the past mainly to a rapidly increasing population; in the Orient we have the population ready made. Increasing population is there of no importance;—rather, the contrary; it is increasing consumption of the people already on the land that is important. Is such an increase feasible?

With about the same population now as then, China's exports and imports have increased about 500 per cent in fifty years, and the modernization of China has only started. It is said that there are at least 200,000,000 Chinamen who have never seen a white man. More than that have no comprehension of what wonders western industrial and trade methods have in store for them.

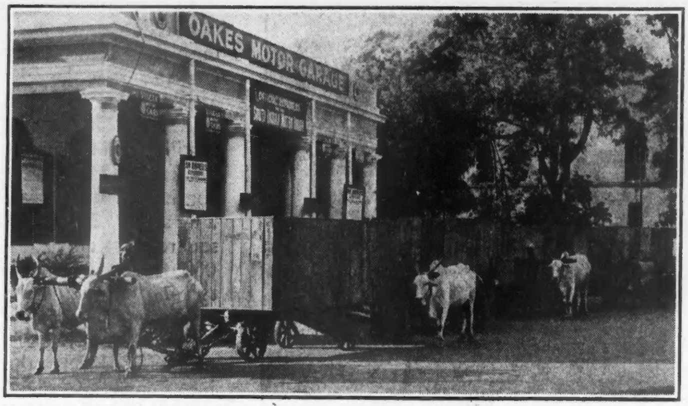
An American was addressing a Chinese audience, through an interpreter. He told his auditors—or intended to—that there were 25,000,000 automobiles in the United States. The interpreter made it only 250,000, but even so, the audience went out—they had not come to listen to fairy tales. No wonder! The per capita income of a Chinaman is about $35 a year.

Owing to his primitive agricultural, industrial and transport equipment, the Chinaman has not capitalized his numbers. When population increases, despite wars and famines, the collective Chinaman meets the situation by consuming less. Despite the vast numbers of China it is the most wasteful nation in the world. Freight carried on human backs, in wheelbarrows, on pack animals and in rude carts costs about twenty times as much as in the United States. The marketing area of a Chinaman is thus held down to a radius of about thirty miles. So far as his prosperity is concerned the potential home market of



Galloway Photo

Not Pittsburgh. Hankow, China, One of the Largest Steel Plants in the Far East



Courtesy, Dept. of Commerce

Today the Oxen Haul in the Motor Trucks. Tomorrow the Motor Trucks Can Haul the Oxen and Then Some

450,000,000 people is non-existent. The vast majority of the people are occupied in keeping themselves alive by tilling the soil. They have little or no surplus with which to trade.

This great population has not—with local exceptions — improved its economic structure in four thousand years. England is as densely populated as the congested parts of China. It is conceivable that it could support its forty million people on the same scale of living and with the same methods that were in vogue 400 years ago. Actually it supports them on a ten times more generous scale — because through mechanization, division of labor, cheap and easy transport and multiplied trade, foreign and domestic, it has been able to produce about ten times the wealth per capita that the Chinaman does.

Population and Imports

Country	Per Cent of World Imports	Per Cent of U. S. Exports	Per Cent of World Population
China	2.5	3.0	23.6
Japan	2.9	4.9	3.8
India	2.5	1.1	19.0
Canada	3.7	18.1	0.5
South America	5.3	10.3	4.0
Europe	56.0	45.6	25.0
Africa	4.3	2.5	6.0
Australia	2.0	2.9	0.3

This table suggests the possibilities of trade development with the populous countries of the Far East.

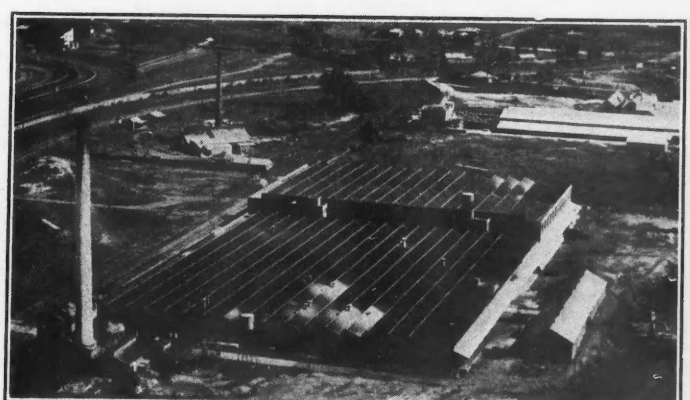
Our total exports to China in 1929 were only about 150 million dollars, and yet they were a third of China's total imports, including Hong Kong and Kwantung.

China, including its dependencies, such as Mongolia, Thibet, Turkestan and Manchuria, has about 4,000,000 square miles. That means only 112 people to the square mile. But owing to the deserts and lack of land transport the population is concentrated in some provinces to as much as 800 to the square mile. Highways and railroads would diffuse the population to a considerable extent. About half of China's ridiculous 8,000 miles of railways is in Manchuria, which has been for many years the scene of one of the world's greatest migrations. The rest of China is feeding about a million people a year into this new-old region. Its population has increased a thousand per cent in thirty years. At the outside, China has not more than 20,000 miles of passable motor roads, and not more than 10,000 that would be called such roads at all in this country. The

population congests along the navigable rivers, the canals and the sea coast. Capital is lacking for land reclamation by irrigation, and likewise for the reforestation of extensive areas that were denuded hundreds of years ago—for a characteristically oriental reason—to get rid of the wolves, tigers and bears that were sheltered in the forests and harassed the timid peasants.

If China were a land of savages and barbarians the problem of improving the economic structure would be hopeless. But it is a highly civilized country, according to its concept of civilization, with a culture that has been continuous for many thousands of years. Granted that the human element is susceptible to modernization and westernization, what of the material elements? Marco Polo, returning from China in the Thirteenth Century, told of city towers of gold and silver and of a land of great wealth. Compared with the Mongolian hordes that had then recently followed Genghis Khan to the conquest of China, the Chinese were an opulent people, but according to modern standards they are very poor. The resources of the country outside of agriculture and the forests have not been developed nor depleted.

It is true that China is not so well endowed as the United States or western Europe with a variety of mineral resources but it has sufficient coal and iron for the foundation of a great industrial expansion, The size of that potential expansion is denoted by the fact that the consumption of iron and steel is only one-one-hundred-and-eightieth of that of the United States. While it is possible that the coal resources of China may exceed those of all Europe, insufficient domestic iron ore may limit the expansion of the iron and steel industries. On the other hand, the cement making resources are unlimited and yet China produces only



Courtesy, Goodyear Tire & Rubber Co.

Big Factories Also Dot the Australian Landscape. Goodyear Plant Near Sydney

one-fortieth as much cement as the United States.

The first step in the development of a great foreign trade is the enrichment of the nation through the development of its domestic industries and trade, thus providing it with commodities for export and with capacity to import. China being virtually without capital to finance this development presents a great opportunity for the United States. We have the surplus capital for the financing and, moreover, we are the leading nation in the manufacture of the many kinds of production machinery that, in the first stages of extensive development, the Chinese must import. American road building machinery, for example, is about twelve times as efficient as coolie pick and shovel labor at twenty cents a day. Provided we are willing to supply the capital, we shall have the lion's share of the colossal task of providing 450,000,000 people with the fundamental structure of western civilization. Viewed in the abstract it is a greater opportunity than we have ever had or can possibly have in any other part of the world, but it depends on our willingness and ability to import as well as export.

Courtesy, Dept. of Commerce

Skilled Native Labor Assembles Remington Typewriters in India

Concretely it is a matter of slow and patient development. It is of no significance as an immediate means of relieving depression in the United States. It is no place for the rapid-fire talents of American industry and trade. We must settle down to a 50-year view and build solidly, step by step. If we don't the cream of the possible business will go to the industrial nations of Europe. The real beginning of the new age for China pivots now on the restoration of internal peace. Civil wars must end, banditry must be suppressed before progress can be made. Incidentally, it should be noted that Soviet Russia hopes to extend the communistic system to China in the near future because of the present wretchedness and misery of the masses. Success in that hope would be another story.

The other great field for America in the Far East is India. The prosperity of Great Britain during the Nineteenth Century was largely attributable to the trade with India. It is still Britain's largest market. This sub-continent, with an area of 2,000,000 square miles and 360,000,000 people, is turning toward modernization. The political revolution now in progress reflects the beginnings of social and economic changes on a great scale. While it is true that, unlike other British dominions, India even now extends no tariff preferences to other parts of the Empire, it is probable that impending autonomy, and eventual independence, will favor American trade, provided the weakening of British authority does not result in civil war and general incompetence of civil administration.

While India does not, on the whole, hold out possibilities for future trade on as large a scale as China, it is in some respects a better field in the immediate future. Next to the United States it has the largest railway system in the world and it has an extensive highway system. The people as a whole are not so materialistic as those of China and lack the Chinaman's instinct for trade. The prevailing rigid social system will be slower to change than even that of China. Like China, it is in the mass a very poor country. It is over-populated, and the per capita money income is only $10 a year. About two-thirds of the people live directly upon what they produce from agricultural pursuits. Industries support only 9 per cent of the population, and the bulk of them are rather primitive.

Even at that India already ranks as one of the seven most important industrial countries in the world. Since 1860 its foreign trade has increased from $300,000,000 to $2,100 million annually.

While it is not likely that the teeming millions of India will ever approach the American living standard it is inconceivable that there will not be a degree of industrializa-

(*Please turn to page 60*)

Courtesy, Dept. of Commerce

Tractors, Old Style, in India

What Shall I Do With $100,000?

Shall I Invest in Bonds or Stocks or Both? How Much in Each?—When Shall I Buy?

By NORMAN HASKELL

The problem presented in this writer's experience is so wisely handled that it should prove of great practical help to those who are presently concerned with the investment of $100,000 or any multiple or fraction thereof. The plans suggested are of such design, and the choice of securities so well made that we have no hesitancy in endorsing them as suitable for the various objectives for which they were prepared.—EDITOR.

IT was several months ago that the first of that extraordinary—at least to me extraordinary—series of events occurred which finished by making me financially independent. There is little point in giving the details here. They ran the whole gamut of lawyers' letters, identifications, court proceedings and what at the time appeared to be fabulous bills and expenses. Nor is there any reason for depicting my constantly changing feelings, running all the way from high hope to the depths of despair. It suffices to say that eventually I became the somewhat dazed possessor of an amount slightly over $100,000.

Now what to do with it? Laying aside the various luxurious schemes that first suggested themselves, I realized that I was more concerned with the future than with the present. After all unless I stepped up my mode of life substantially I was not in direct need of such a sum, rather its appeal lay in providing something for the future and for those who might succeed me. The answer, therefore, seemed to lie in investment and to this end I discussed the problem with a leading banker in my town who was also a warm personal friend. He was good enough to prepare a program for me.

Seeking confirmatory advice I took up the matter with the treasurer of the company with whom I am associated. He also offered to help me, and without further consultation prepared an investment schedule after the manner in which he himself would handle the problem. Later when the two lists were compared I was vastly surprised at the differences which they contained and even more astounded by the diametrically opposed viewpoints which had been taken of the same situation. In fact so sound were the arguments used in both cases, even though they *did* result in different conclusions, that it occurred to me that they—and also my final solution—might possibly be of interest to others.

The banker's list, as might have been expected, stresses safety and this characteristic of his program was even more thoroughly brought out in his remarks to me when presenting it. He said in effect that even though my present earned income appeared ample for my needs, it were foolish to forget that I had others dependent upon me and that my responsibilities were more likely to increase rather than decrease as the years passed. Indeed, the fact that

The Banker's List
For Investment Safety

Quantity	GILT-EDGED BONDS	Yield to Maturity	Current Price	Total Investment	Current Return
5M	Commonwealth Edison Ser. C 4½s, 1956....	4.37	102	$5,100	$225
5M	Kansas City Terminal Ry. 4s, 1960........	4.28	95	4,750	200
5M	N. Y. Gas & El. Light, Heat, Pr. 4s, 1949..	4.08	99	4,950	200
5M	(The) Ohio Power Co. Ser. D 4½s, 1956....	4.53	99	4,950	225
5M	Oregon-Washington R.R. & Nvg. 4s, 1961..	4.28	95	4,750	200
	OTHER BONDS				
5M	Baltimore & Ohio R.R. Conv. 4½s, 1960....	5.15	90	4,500	225
5M	Chesapeake Corp. Conv. 5s, 1947............	5.10	99	4,950	250
5M	Hudson & Manhattan R.R. 1st 5s, 1957....	5.05	99	4,950	250
5M	National Dairy Products 5¼s, 1948.........	5.08	102	5,100	262.50
5M	United Light & Power 1st 5½s, 1959........	5.48	101	5,050	275
	PREFERRED STOCKS	Dividend			
50	Chicago & North Western part.	7	106	5,300	350
50	Hershey Chocolate Conv.....................	5	102	5,100	250
50	Public Service of New Jersey..............	5	99	4,950	250
100	Std. Gas & Electric	4	63	6,300	400
100	United Corp.	3	50	5,000	300
	COMMON STOCKS				
30	American Telephone & Telegraph..........	9	183	5,490	270
40	American Tobacco B	5*	125	5,000	200
25	du Pont	4	85	2,125	100
100	General Foods	3	52	5,200	300
50	Union Carbide & Carbon	2.60	58	2,900	130
100	United Corp.	0.75	22	2,200	75
	Totals			$98,615	$4,937.50

Current yield 5%; in actuality it is slightly more than this because most of the bonds are at a discount. * Plus extras.

Prices and quantities adjusted to present conditions.—Ed.

The Treasurer's List

Mainly for Price Appreciation

No. of Shares	PREFERRED STOCKS	Dividend	Current Price	Total Investment	Current Return
50	Hershey Chocolate Conv. Pfd.	$5	102	$5,100	$250
50	United Light & Power Conv. Pfd.	6	98	4,900	300
50	Westinghouse Part. Pfd.	4	92	4,600	200
	COMMON STOCKS				
25	Aluminum Co. of America	..	160	4,000	....
100	American Machine & Fdy	1.40*	35	3,500	140
50	American Can	4*	116	5,800	200
50	Beatrice Creamery	4	70	3,500	200
100	Beech-Nut Packing	3	57	5,700	300
50	Brooklyn Union Gas	5	108	5,400	250
100	Colgate-Palmolive-Peet	2.50	45	4,500	250
50	duPont	4	85	4,250	200
100	Electric Power & Light	1	46	4,600	100
100	Foster Wheeler	2	42	4,200	200
100	General Foods	3	52	5,200	300
100	Gold Dust	2.50	36	3,600	250
100	International Nickel	.60	16	1,600	60
100	Loose-Wiles Biscuit Co.	2.60*	50	5,000	260
100	Pacific Gas & Electric	2	48	4,800	200
100	Reynolds Tobacco B.	3	51	5,100	300
50	Southern Pacific	6	85	4,250	300
50	Union Carbide	2.60	58	2,900	130
200	United Corp.	.75	22	4,400	150
50	Woolworth	2.40	61	3,050	120
	Totals			$99,950	$4,660

Yielding 4.7% on regular dividends only. The actual return is enhanced by extras.
* Plus extras.

Prices and quantities adjusted to present conditions.—Ed.

my earning power was satisfactory permitted him to concentrate upon security of principal rather than yield, a course which he could not have followed had a high rate of return been necessary to my present needs. He went on to point out that all the securities recommended were actively "traded" upon a recognized stock exchange and that if I decided to liquidate a portion of my investments at any time there would be no difficulty in doing so.

He finally suggested that the existing low interest rates made delay in purchasing the bonds and preferred stocks inadvisable, pointing out that the bond market during the first part of 1930 had achieved a substantial rise, which had been more than wiped out by an adverse combination of declining earnings and the contagious influence of unsettlement in foreign government obligations, but that there was reason to believe that the trend would soon be upward. Indeed, he saw but one possibility which would check such a movement, namely that the improvement might be so fast as to cause it own undoing by inducing a flood of new offerings. As the stronger preferred stocks act marketwise in a manner very similar to that of the average bond, the same line of reasoning would of course apply to these securities also. In regard to the common stocks suggested, the banker was somewhat less certain as to the wisdom of purchasing them immediately, although he inclined to the belief that because they were intended to represent more or less long-term commitments on which the dividends appeared reasonably well secured by earnings, there would be little point in waiting, as much of the strength in his plan lay in its being accepted in its entirety.

Common Stocks for Price Appreciation

The other list was evidently made up on the theory that because I was independent of the income from the securities, price appreciation was of paramount importance. This is clearly seen from the fact that even the few preferred stocks suggested have some kind of participating feature. My friend the treasurer explained that even though the common stocks contained in his list were among the soundest in the country and by the purchase of which I should almost surely profit handsomely over a period, proper timing in the actual making of the commitments was most important. He suggested that I be in no particular hurry to buy; that I pick up part of what I expected to finally obtain on any more or less serious market reaction and that on even further weakness I could gradually round out my line at an advantageous average price.

The more I thought of the two plans the more they both impressed me. But how could they both be right? If the stock market were going to rise, it would be very foolish to be content with an income between 4 per cent and 5 per cent even if it *were* more than ordinarily safe. On the other hand, if the present depression were going to continue indefinitely, why should anything but absolutely gilt-edged bonds be bought particularly in view of the fact that commodity prices would probably decline still further, thereby affording the holder a hidden profit?

Finally after much thought, reading and investment advice from other sources I arrived at a solution, which to me appeared eminently satisfactory. I decided that insofar as it were possible I would combine the merits of the two plans. I would have marketability and diversification. I would have safety and the possibility of price appreciation. The only thing I wouldn't bother very much about would be present income, for after all in my own case it was not particularly important and I realized the impossibility of having everything.

The Happy Medium

For safety I decided to take the banker's list of high class bonds on the theory that when a bond is bought it should be a good one and knowing that there are both advantages and disadvantages to this class of investment I thought I would take the advantages "full-strength" as it were and accept the disadvantages without attempting to achieve what appears to me to be an unsatisfactory compromise. The bonds recommended by the banker I noticed were all long-term so in order to obtain further diversification and some protection against the unexpected possibility of rising money rates a sound short term obligation was added. These have all actually been purchased for I believed the prospect for easy money and somewhat lower commodity prices to be soundly conceived.

In order that the return on my capital should not be *too* low, I selected five preferred stocks, taking some from one list and some from the other. These also I bought for the same reasons that I purchased the bonds. One issue it will be noticed is convertible and in this case it appears to me that I have achieved a considerable degree of safety in addition to possibilities of price appreciation all in the same issue—among the main objects of my whole plan.

The selection of a satisfactory list of common stocks was

very much more difficult. I wanted the list as a whole to represent safety as well as price appreciation possibilities. I commenced by trying to appraise the security merit of companies which had been hard hit by the depression, realizing that the nearer a company is to bankruptcy—if it *does* recover—the greater the eventual profit. I soon arrived at the conclusion, however, that choosing near-bankrupt or thoroughly depressed companies for their future possibilities was beyond me and that I would have to be content with those which had done fairly well during the recent hard times on the not entirely unreasonable theory that with normal improvement in business they would do even better. My final investment program then contemplates the purchase of a number of common stocks which can be rated as "investments" in the strictest sense of the word and others not quite in this class, but which have speculative attraction as a compensating feature. In this same connection it should be noted that in quite a number of cases I have selected one of the smaller companies in the field rather than the leader, believing that the greater the size of an enterprise the more difficult it is to expand.

Personal Choice

Although most of the stocks in my final plan were selected from the two lists given me, independent investigation led to the belief that in some cases substitution would be advantageous. For example, Jewel Tea was added in order to obtain an interest in efficient distribution of necessities—namely a chain grocery—for I am much impressed by the manner in which this class of concern has expanded in recent years and the excellent showing which has been registered during the present depression. McKeesport Tin Plate was added on account of its excellent showing in recent times and for its strategic position in any merger negotiations of the future. Wrigley was included on the excellence of its past record which shows stability in both good times and bad, while Electric Bond & Share was chosen in order to obtain an interest in various public utilities throughout the world — an industry to which I am naturally sympathetic for it is here that my own work lies.

It will be noted that diversification has been particularly sought. The list covers many industries and a tremendous territorial area. Moreover, in addition to obvious diversification many of the companies selected have themselves varied interests. For example, du Pont not only gives me a stake in the general chemical and chemical specialty industries, but also in automobiles, while through United Corp., I obtain a holding in all the principal Eastern public utility systems of the country and the prospect of profiting greatly through any "super-power" developments which might possibly take place in the future.

Now or Later?

Having compiled my list of common stocks then on what appeared to me to be a satisfactory basis, I was confronted with the problem of timing my purchases. Despite the fact that I am thoroughly convinced as to the country's soundness and its capacity to emerge from the present business doldrums, it seemed to me not entirely impossible that further substantial declines in the stock market might occur prior to the eventual improvement and although I realize the futility of trying to pick the absolute bottom of any given security market, I still want to obtain a fairly satisfactory price. I could of course wait until in my estimation such a level had arrived and then buy, but if I were very wrong and bought much too high? On the other hand, the securities which I wished to purchase might never reach prices which I deemed satisfactory. In order to avoid these difficulties I came to the conclusion that my ends would best be served if I made my purchases gradually. If my list called for 100 shares finally, I would buy 25 or 30 during market reactions and then wait awhile and watch developments. This is in fact the advice tendered me by our treasurer and as I have not encountered during my intensive inquiries anything which appealed to me more, I intend to abide by it.

So far this system appears to me to be working very well. My senior securities have been purchased but I have not yet ventured far in the common list. My buying power is thus far from exhausted and I can take advantage of any bargains which may possibly show up during the coming summer. True, some few of the common stocks which have already been bought show me a small paper loss but in proportion to my total resources the recent decline has affected me negligibly and by a further exercise of patience I am sure that any such losses will be more than offset in the price trend later on.

My Own Final List

For Income and Price Appreciation

Quantity	BONDS	Yield to Maturity	Current Price	Total Investment	Current Return
5M	Commonwealth Edison Ser. C 4½s, 1956....	4.37	102	$5,100	$225
5M	Kansas City Terminal Ry. Co. 4s, 1960.....	4.28	95	4,750	200
5M	Midvale Steel & Ordnance 5s, 1936.........	4.35	103	5,150	250
5M	N. Y. Gas & El. Light, Heat, Pr. 4s, 1949..	4.08	99	4,950	200
5M	(The) Ohio Power Co. Ser. D 4½s, 1956....	4.53	99	4,950	225
5M	Oregon-Washington R.R. & Nvg. 4s, 1961...	4.28	95	4,750	200
	PREFERRED STOCKS	Dividend			
50	Chicago & North Western part.	7	106	5,300	350
50	Hershey Chocolate Conv..................	5	102	5,100	250
50	Public Service of N. J.	5	99	4,950	250
50	Std. Gas & Electric	4	63	3,150	200
50	United Light & Power Conv...............	6	100	5,000	300
	COMMON STOCKS				
30	American Tel. & Tel.....................	9	183	5,490	270
50	Borden Co.	3*	68	3,400	150
50	duPont	4	85	4,250	200
50	Electric Bond & Share	6%	40	2,000	144
50	Foster Wheeler	2	42	2,100	100
100	General Foods	3	52	5,200	300
50	Jewel Tea	4	44	2,200	200
50	Loose-Wiles Biscuit	2.60*	50	2,500	130
40	McKeesport Tin Plate....................	4.*	86	3,440	160
50	Pacific Gas & Electric	2	48	2,400	100
50	Reynolds Tobacco B......................	3	50	2,500	150
50	Union Carbide & Carbon	2.60	58	2,900	130
200	United Corp.	.75	22	4,400	150
50	Wrigley	4	74	3,700	200
	Totals			$99,630	$5,034

Yielding 5.1% on regular dividends only. The actual return is enhanced by extras.
* Plus extras.
Prices and quantities adjusted to present conditions.—Ed.

"Now Don't Quote Me, But—"

As Reported by the "Itinerant Economist"

Reduce Wages? How Shocking!

"We haven't discharged a man or cut a salary on account of the business depression," said the head of a great utility corporation. "When we were making up our annual budget several department heads suggested that fear of losing their jobs was making everybody work harder and better, and that in view of that fact and that business had fallen off to some extent, the personnel could well be reduced.

"'That will do,' I told my executives. 'When we cut dividends will be time enough to talk about increasing unemployment.'

"As I made that announcement there flashed into my mind an image of what would have been my attitude twenty years ago. I would then have been the first to summon the headsman. Then I was ruthless. Fire, with the least business slackness, was my rule. Now I think of my outfit as a sort of big family. I feel that I am as much obligated to them as to the shareholders. Then, too, I admit that I am impressed by the general economics of the situation. I sometimes wonder what would have happened if every employer in the United States had resolved to maintain his payroll when things began to look bad, even if there wasn't work enough to go around. How long do you suppose the dullness would have lasted? I am not enough of an economist to reason the thing out, but it's the payroll that buys goods and causes them to be made. Toppling over one payroll knocked over the next, and now the whole row has gone down. After a while one of them will stand up again, and that will raise another, and so finally we will get them all on their feet again. I don't see why we could not all have held each other up."

The Cynic's Rude Comment

The utility executive's talk quite sublimated—ethereally elated that means, according to the dictionary—me, but I was rudely jolted when I told another utility head about it.

"I suppose Bill really fooled himself into believing that line of talk about keeping up his payroll as a matter of social justice and what he takes for economies, but the fact is that the utility business happens to be such that it is almost proof against unemployment. If he had reduced his force or cut wages there would immediately have been a public howl for lower rates, and the first thing he knew he would have had the necessity of reducing dividends on his hands. One sure way to keep up dividends in our business just now is not to cut payrolls. Wouldn't it be nice if all other lines of business were in the same position? I wonder if we can't pass a law, to bring that about?"

Mass Production Ills

"A good deal of blame for our present business ills has been laid at the door of mass production and not without some justice." So says one of the keenest observers of present times. "Mass production has been the industrial fashion of the recent years. Every manufacturer took it up because it was the latest mode, regardless of whether it was adapted to his business. Mass production is capable of saturating the market for anything. It is especially dangerous when it confronts a new and expanding market. The plant capacity required to supply the American people with 25,000,000 automobiles is one thing and the capacity required to take care of replacements when there is no longer room for expansion are radically different. Perhaps if some of our automobile men had looked a little further ahead they would not have expanded their plants so rapidly. The machinery that made huge profits in feverish motion when the market was limitless can make huge losses, standing idle, when it is restricted."

How Do You Explain It?

"In these days of deplorable decreases in earnings and rather general and sharp reductions in dividends," said a veteran banker with many years of experience in railway financing, "the statement by Victor Vincent Boatner (note the conquering sound of those two front names), President of the Chicago Great Western—'Maple Leaf'—to the stockholders recently, that net income for the first quarter of this year exceeded that for the corresponding period of last year, strikes me as an outstanding and highly significant item of railroad news. Certainly it is most refreshing.

"Do you know the history of that Chicago-Twin Cities-Kansas City Road?" added the banker, falling into a reminiscent mood. "Well, it was built by A. B. Stickney, who was one of the familiar and rather striking figures of the railroad world 30 to 40 years ago. A substantial part of

the money to finance the project was supposed to have been raised through the sale of securities in Europe.

"According to all accounts in those days, Mr. Stickney built the property to sell. His chief associate in New York was Ansel Oppenheim, vice president of the company. He looked after the finances and the stock market end of the proposition. The local office was next to that of Washington ('Wash') E. Connor, at 31 Nassau Street, confidential broker for Jay Gould and Russell Sage—the latter's office was in the same building.

"Mr. Stickney did not succeed in selling the road in whole or in part. There has been talk for years of its being parcelled out among several of the large systems in the northwest. But none of them seem to want any portion of it. Some years after the death of Mr. Stickney, and Mr. Oppenheim, the road went into receivership and through reorganization. It never has been a large earner for its stockholders.

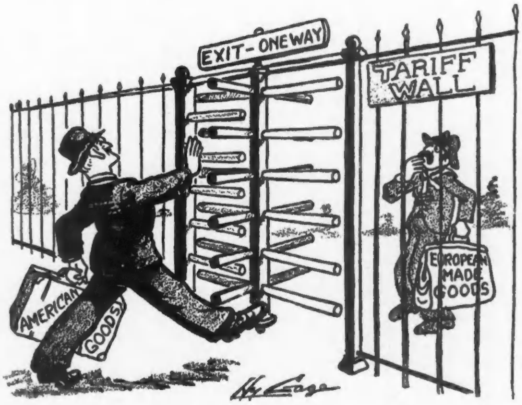
"In 1930, following unusual activity in the shares, it turned out that Mr. Boatner and his associates had secured control of Great Western. I didn't know the man, but found upon inquiry that he was born in Mississippi, began his railroad career with the Yazoo & Mississippi Valley, a subsidiary of Illinois Central, and had served as president of the Peoria & Pekin Union Railway.

"Evidently he has a fondness for small railroads and is a specialist in operating them. Soon after he took hold of Chicago Great Western both gross and net began to increase strikingly. Earnings of most railroads were going decidedly in the opposite direction. Some of Mr. Boatner's associates, said to be large shippers, were reported to have put considerable traffic over the road. I am inclined to think that good management was the big factor. At any rate, before the year was over, the directors upon the new president's recommendation, declared a dividend on the preferred, the first since 1919.

"And now he says net income for the first quarter of this generally worse year was larger than for the first three months of 1930. What does all this mean? Is it new blood? If so, would it not be a good thing if some other roads that never have been very successful were to change owners and managers?"

Where Are the Rich of the Movies?

"Where do you suppose movie producers get their ideas of the way rich people live and behave?" asked a modern Croesus who, nevertheless, is an interested and critical observer of the times. "I hope some day to see the model millionaire and his environment, from which our movies get their settings for the lives of rich men and their women."



"And that isn't all that is the matter with the motion picture industry," he went on. "The national adoption of talking pictures has played havoc with their export trade. Action was universally understandable, language is not—even an unusual inflection of speech is not well received by present audiences. A picture in Spanish produced by Mexican actors was howled down in Spain. The talkies may have put new life into the home market but it has decimated foreign demand. And another thing the movie people have got to face is more economy in production. Not only do their portrayal of the wealthy give one a great laugh but the expense of production is on too lavish a scale. Extravagance in salaries and sets is out of all proportion to the current revenues. The movies have got to clean house and introduce some brand new economies and ideas if they are to sustain their earning records."

The Professors' Turn

"At different periods of history, different social classes have been the upper dog in the flux of civilization," remarked a production manager. "Just now in Russia the morons are nominally on top, although actually they have an oligarchy of political dreamers. But in the western nations the bourgeoisie still rule. After them the intelligentsia. Heretofore, trading has dominated intellect, although practically all business now has a scientific basis. But scientific knowledge and its utilization are becoming so refined and specialized that there are many corporations which are at the mercy of a few mild-mannered, thick-spectacled men in laboratories and in shops. One of these days, tired of small salaries, these men of knowledge will strike. When they do, they can write their own tickets."

Another One for the President

"The worst thing that has happened to our foreign trade is our new tariff law," said a great manufacturer. "It was virtually a brusque notice to the rest of the world that the less foreign trade we had the better we would like it. The foreigners have slapped right back, and throughout the world there is a sort of nebulous trade coalition against us. Now, we have either to make up our minds that we need and want foreign trade, and direct our whole national policy accordingly, or else resign ourselves to virtual commercial seclusion except for the goods we must import and those the foreigners must buy. Some of us have come to the conclusion that not only a change of policy but a declaration of it is necessary. We are working on a program for a series of conferences with President Hoover about this serious problem. It is really a very critical one, and, I think, greater than the self-interest of any one of us. It profoundly affects the general interest and national policy. It is not that we would abolish 'protection' but that we would keep its abuse, under changed conditions, from making it exactly the reverse of protection. It is far more than a matter of tariff schedules and even of tariff policies. You might say that it is a matter of shaping our whole economic policy toward foreign actions."

AMERICAN TEL. & TEL.
Conv. 4½s, 1939

A Long Term Call on A. T. & T. Common Stock

Protected Against Severe Decline Yet in a Position to Reflect Advance in the Stock

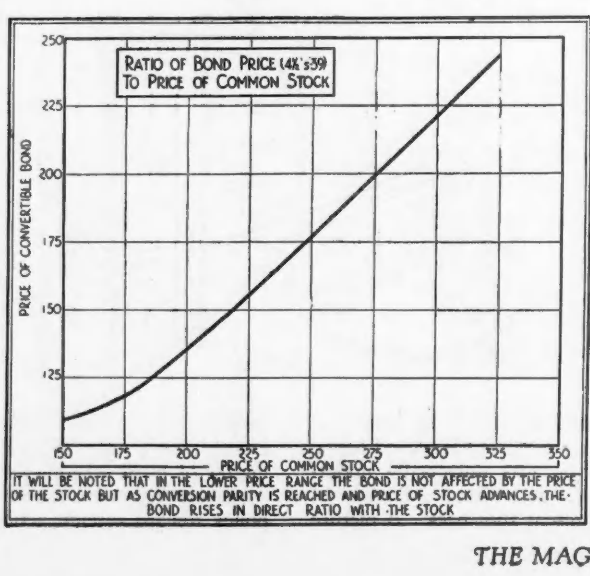
By WARD GATES

AN option on the common stock of the American Telephone & Telegraph Co. extending over a period of six and one-half years may be had in the Convertible Debenture 4½% Bonds of the company due July 1, 1939. The attraction in connection with this particular issue of bonds is that even with the present depressed level of common stock prices the conversion point is sufficiently close to have value so far as the market for the bond is concerned, and yet the price of the bond is at a level which will safeguard the purchaser from any great loss in case the price of the common stock drops to lower levels. A rise in the price of the common stock on the other hand will find direct reflection in the price of the convertible bond.

The option on the common stock, of course, costs the bond purchaser something. With the Convertible 4½s of 1939 currently selling for about 128, the premium over and above what need be paid for a straight bond of this maturity is somewhere in the neighborhood of 23 points or $230 per $1,000 bond. Another issue of the company, the 4s, due in 1936, are selling at 102 or on a 3.50% basis. Allowing for the slightly longer maturity of the convertible issue due in 1939 the yield should normally be somewhat higher. Assuming therefore a yield of 3.75% as the fair one obtainable from a straight bond of 1939 maturity, the price would normally be about 105. The difference between the price at which the Convertible 4½s of 1939 sell at and the price at which a straight bond would sell, therefore, represents the premium paid for the conversion privilege.

Attractive Conversion Feature

The bond is convertible on the basis of $190 per share for the common stock during the years 1931 and 1932, and $200 per share during the years 1933 to 1937 inclusive. The bondholder may exercise the conversion privilege under two options; first, he may take one share of stock for each $100 principal amount of bonds surrendered on the payment of cash for each such share of the difference between the conversion price then in effect and $100, or second, he may take as many shares as the principal amount of bonds surrendered is a multiple of the conversion price then in effect, and if there be a remainder, the bondholder may take one additional share on payment in cash of the difference between such conversion price and the remainder.



IT WILL BE NOTED THAT IN THE LOWER PRICE RANGE THE BOND IS NOT AFFECTED BY THE PRICE OF THE STOCK BUT AS CONVERSION PARITY IS REACHED AND PRICE OF STOCK ADVANCES, THE BOND RISES IN DIRECT RATIO WITH THE STOCK

At current price levels this convertible bond is in a favorable position because it is cushioned against an extended drop in price, since it rapidly approaches its normal price purely from a yield standpoint. The bond therefore is less susceptible to a down trend in the price of the common stock, but at the same time it retains the attractive appreciation possibilities inherent to it in case there is a fundamental change in the trend in the stock market and prices resume an upward course.

The Convertible 4½s of 1939 were originally

offered to stockholders in 1929, the total amount so offered being $219,112,700. Most of the bonds already have been converted into stock so that at the end of 1930 there were outstanding only $12,923,000 of this issue. The issue is redeemable as a whole or in part on any interest date on 60 days' notice at 105 and interest prior to January 1, 1938, and thereafter at 100 and interest. By means of the redemption feature the company may some day force the conversion of the bonds although at present there is little likelihood of this occurrence. By calling the bond, however, its price will fall to a parity with that of the common stock or to the call price and thus wipe out such premium as may have existed previously.

A purchase of the Convertible 4½s of 1939 should logically be made only in anticipation of higher levels in the price of the stock. The bond offers the opportunity of making an advantageous commitment at the present time because it is not far above its price on a normal yield basis. The question of getting into the stock at the right time prior to a long swing upward in price is thus to a large extent solved.

Concerning the prospects for the American Telephone & Telegraph Co., it is unnecessary to say that the company dominates the telephone business in the United States, controlling about 15,500,000 instruments at the end of 1930 or more than 75% of the total in this country, and with the major portion of the independent systems internected with its network. The "Bell System" is also the principal factor in two provinces in Canada, namely, Ontario and Quebec.

The period of depression which we are currently experiencing has of course affected the company chiefly in that it retarded the rapid growth which had been experienced for many years past. In 1930, for instance, the net gain in the number of telephones installed was only 122,500 against 821,400 in 1929 and was the smallest increase for many years. Last year, however, the number of local telephone calls was 2% and the total number of toll and long distance conversations was 1% above 1929. Total operating revenues exceeded those of 1929 by $33,000,000 or 3%.

The first two months of 1931 witnessed a continuation of the drop in the number of telephones installed but in March the tide turned slightly with a small gain. The telephone is becoming more and more an indispensable part of the average American home and when economic conditions in this country are again on the mend there will be in all probability a continuation, although

(Please turn to page 64)

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revision as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Atchison, Top. & S. Fe Conv. 4s, 1955..	273.3	3.77	110	95	4.2	4.3
New York Central Deb. 6s, 1935........	630.2	1.54	110	106	5.7	4.3
Rock Island-Frisco Terminal 1st 4½s, 1957 ....(d)	....	X	102½T	98	4.6	4.6
Great Northern Gen. A 7s, 1936.....(b)	139.8	1.98	....	111	6.3	4.7
Pennsylvania 5s, 1964..........	....	1.81	102T	103	4.8	4.8
Central Pacific Guar. 5s, 1960........(a)	....	1.91	105 ('35)T	103	4.8	4.8
Chic. & W. Indiana 1st Ref. 5½s, 1962..	49.9	X	105	105	5.2	5.2
Nor'n Pacific Ref. & Impr. 6s, 2047.(a)	165.6	2.12	110 ('36)	112	5.4	5.4
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952 ....(b)	14.2	X	107½T	108	5.6	5.4
Illinois Central 4¾s, 1966..........	....	1.50	102½ ('36)T	87	5.5	5.5
Balt. & Ohio Ref. & Gen. 6s, 1995....(a)	285.3	1.64	107½A ('34)	109	5.5	5.5
N. Y., Chic. & St. L. Ref. 5½s, 1974.(a)	58.8	1.60	105	99	5.6	5.6
Southern Railway Dev. & Gen. 6s, 1956.	133.8	1.51	....	103	5.8	5.7
Missouri Pacific 1st & Ref. 5s, 1977.(a)	94.6	1.35	105A	87	5.7	5.8
Wabash Ref. & Gen. 5½s, 1975.....(a)	61.6	1.52	105A ('35)	94	5.9	5.9
Central of Georgia Ref. 5½s, 1959......	30.9	1.39	105A ('34)	95	5.8	5.9

Public Utilities

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Pacific Gas & Elec. Gen. Ref. 5s, 1942..	29.0	2.67	105T	105	4.8	4.4
Utah Power & Light 1st 5s, 1944.......	....	2.83†	105	103	4.9	4.7
Consol. Gas of N. Y. Deb. 5½s, 1945.(a)	191.1	5.51	106T	107	5.1	4.8
Montana Power Deb. 5s, 1962.......(a)	33.3	3.14†	105T	103	4.9	4.8
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.87†	....	100	5.0	5.0
Columbia Gas & Elec. Deb. 5s, 1952....	....	3.27	105T	100	5.0	5.0
Arkansas Power & Lt. 1st & Ref. 5s, 1956 ....(c)	2.0	2.26	105	100	5.0	5.0
Hudson & Manh'n 1st Ref. 5s, 1957..(b)	5.9	1.53	105	99	5.1	5.1
Northern Ohio Tr. & Lt. Gen'l & Ref. 6s, 1947, "A" ....(a)	8.4	2.20†	110	107	5.6	5.3
New Orleans P. S. 1st & Ref. A 5s, 1952 ....(a)	9.7	1.32†	104	93	5.4	5.6
Amer. W. Wks. & El. Deb. 6s, 1975.(a)	12.7	1.42	110	106	5.7	5.6
United Lt. & Rys. 1st Cons. A 6s, 1952 ....(b)	11.3	1.46	(N)	103	5.8	5.7
Standard Gas & Elec. 6s, 1935..........	432.2	1.42	103	101	5.9	5.7
Standard Gas & Elec. 6s, 1966......(b)	432.2	1.42	105T	101	5.9	5.9
Cities Service Pr. & Lt. Deb. 5½s, 1952	104.4	1.55	105	80	6.9	7.4

Industrials

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Midvale Steel & Ord. Conv. Coll. 5s, 1936 ....(a)	....	4.34	105	103	4.8	4.4
Allis Chalmers Deb. 5s, 1937........(a)	....	5.39	103T	101	4.9	4.8
Gulf Oil Deb. 5s, 1947..............(c)	....	2.99	104AT	102	4.9	4.8
Youngstown Sh. & Tube 1st 5s, 1978.(a)	....	2.93	105T	101	4.9	4.9
Sinclair Pipe Line 5s, 1942..........(a)	....	6.33†	103	100	5.0	5.0
National Dairy Prod. Deb. 5¼s, '48.(a)	....	7.62	105T	102	5.1	5.1
Purity Bakeries 5s, 1948................	0.6	7.74	103½	95	5.3	5.4
Chile Copper Deb. 5s, 1947..........(a)	....	10.20†	102T	92	5.4	5.7
Amer. Cyanamid Deb. 5s, 1942..........	0.3	11.73	100	94	5.3	5.7
International Match Deb. 5s, 1947....(a)	....	5.67	109H	92	5.4	5.7

Short Terms

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Humble Oil & Ref. Deb. 5½s, '32...(b)	....	13.59†	102½A	102¼	5.4	3.9
Smith (A. O.) 1st S. F. 6½s, 1933..(a)	....	22.76	101T	102⅞	6.3	5.0
Middle West Utilities 5s, 1933...........	881.6	1.39†	101½	98½	5.1	5.8

Convertible Bonds

		Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Atch., Top. & S. F. Deb. 4½s, '48..	Com.@166.6	3.77	102	113	4.0	3.5
N. Y., N. H. & Hart. 6s, '48........	Com.@100	1.92	....	115	5.2	4.7
Baltimore & Ohio Conv. 4½s, '60....	Com.@120(h)	1.64	105	92	4.9	5.0
Chesapeake Corp. Col. Tr. 5s, '47....	C. & O.@106	2.99	100	100	5.0	5.0
Texas Corp. 5s, 1944................	Com.@70	3.24	102T	96	5.2	5.4
Chic., Rock Island & Pac. 4½s, 1960	......	1.58	105 ('36)T	80	5.6	5.9
Inter'l Tel. & Tel. Deb. 4½s, '39....	Com.@63.9	2.27	102½	89	5.1	6.2
Amer. Inter'l Corp. Deb. 5½s, '49...	Com.@80	1.41	105	91	6.0	6.3
Utilities Pwr. & Lt. 5s, '59, w.w. (L)	......	1.61	105T	72	6.9	7.3
Assoc. Gas & El. Conv. 4½s, '49 (K)	......	1.60	103T	66	6.8	8.2

All bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100. * On total funded debt.

A—Callable as a whole only. T—Callable at gradually lower prices. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter. (h) Convertible after February 1, 1931. (K) Convert. into 17½ shares of Class "A" stock. (L) Rights to purchase 7 shs. Class "A," 3½ shs. "B" (v. t. c.), and 3½ shs. Common to 2-2-34 @ $577.50 for the unit. (N) Not callable until 1948. † On basis of 1929 earnings.

PUBLIC UTILITIES

MIDDLE WEST UTILITIES CO.

Widespread Operations Strengthen Huge Utility System

Large Gains for Public Utility Specializing in the Small Town Field

By FRANCIS C. FULLERTON

THE common stock of the Middle West Utilities Co. permits the investor to purchase into the equity of a utility system which possesses an unusual degree of diversification. This vast system indeed draws its revenues from properties providing utility services to 4,741 communities with a total population of 6,203,846 located in 30 states. With such wide territorial expanse, the business of the company is naturally endowed with a degree of geographical and industrial diversification approaching the maximum, and constitutes a factor of great significance in the stability of operations and steadiness of earning power of a large utility system.

Mention of Middle West Utilities Co. brings to mind the Insull brothers, Samuel and Martin, to whose genius the phenomenal development of the system is due. From relatively small beginnings, the Insulls have built up a utility system which from a territorial viewpoint is the most widespread in the country although in gross earnings it ranks second only to Consolidated Gas Co. of New York. The Insull utility empire, and therefore the Middle West Utilities Co., makes its capital in Chicago but the company itself does not control properties in the city nor its immediate environs. Three other Insull companies have this under their control—Commonwealth Edison Co. and Peoples Gas Light & Coke Co. supply Chicago with electric and gas service respectively, while the suburban area, mainly to the north of Chicago, is served by Public Service Corp. of Northern Illinois.

Small Community Field

The primary purpose for which Middle West Utilities Co. was organized was to duplicate in the smaller cities, towns and rural communities the type of public utility service enjoyed by the larger cities and industrial areas. This specialized field of operations has proven most profitable as is demonstrated by the company's amply remarkable record of growth since its organization in 1912.

The territories served by the subsidiary companies comprising the Middle West Utilities system are located in three major geographical divisions of the United States, i.e., the East, Middle West, and the Southwest. The territory of the eastern companies, unified under the control of National Electric Power Co., includes the New England States of Maine, New Hampshire, and Vermont, extends through parts of New York, New Jersey and Delaware, reaches westward through Pennsylvania and Ohio, and south along the Atlantic Seaboard to include sections of Maryland, Virginia, West Virginia, North Carolina, Georgia and Florida. In the Middle West are some directly-owned subsidiaries of Middle West Utilities Co. which serve areas in Kentucky, Michigan, Illinois, South Dakota, Nebraska, Missouri, Kansas, and Wisconsin. In the Southwest the states of Oklahoma, Texas, Louisiana, Mississippi, and Arkansas encompass the territories of a number of operating companies unified under the control of Central and Southwest Utilities Co.

The tremendous progress of the system in the 19 years since its founding is brought out in a striking fashion by contrasting the size and output of the company at present with the conditions prevailing earlier. In its first year the system served a population of 850,000 in 274 communities in ten states while the beginning of 1931 finds it serving a population of more than 6,200,000 in 4,741

Three Years with Middle West Utilities Co.

	1928	1929	1930
Gross Earnings	$150,067,384	$162,337,274	$182,213,975
Net after Operating Expenses, Taxes, Maintenance, Depreciation, etc.	56,614,444	68,041,376	72,598,104
Subsidiaries' Net Accruing to M. W. U.	12,389,805	17,529,347	20,057,067
Other Income of M. W. U.	5,843,666	8,436,468	11,449,506
Total Income of M. W. U.	18,233,474	25,965,815	31,506,573
Expenses, Inter., etc., of M. W. U.	2,507,449	3,454,505	4,982,025
Net Income	15,726.025	22,511,310	26,524,548
Per Share Common	1.45	1.13	1.59
Population Served	e	e	6,203,846
Communities Served	3,679	4,405	4,741
Customers Served	1,587,908	1,648,252	1,727,445

e—Estimates only available for these years.

communities in thirty states. Scarcely more than a hundred thousand customers were served in 1912 whereas at the close of 1930 services were available to a total of 1,727,445 customers. The electrical output of a hundred million kilowatt-hours in the first fiscal year of eleven and one-half months has grown to a total of four and one-third billion kilowatt-hours for the year 1930. The gross revenues have grown correspondingly from less than four million dollars to more than one hundred and eighty million dollars.

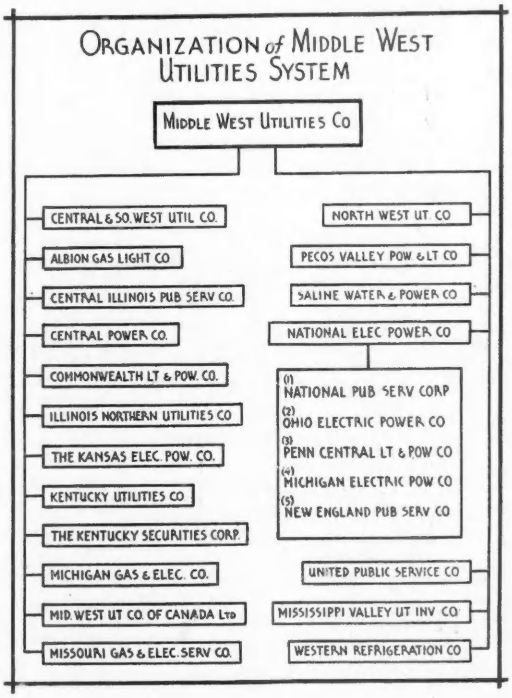
Middle West Utilities Co. is in reality an investment holding company because one of its chief functions is to supply to electric service companies the nucleus of their capital requirements, i.e., the equity investment upon the basis of which the remainder of the necessary capital can be successfully raised. Through the Middle West Utilities Co. a constant flow of equity capital has been maintained for the companies of the system, thus enabling a continual expansion whenever justified in order to meet the ever-growing demands for services.

Financing is accomplished on the operating companies, the intermediary holding companies and through the issue of securities of the Middle West Utilities Co. Approximately $1,620,000,000 of the system's securities are outstanding of which $253,000,000 or 15.6% represents securities of Middle West Utilities Co., $387,000,000 or 23.9% in subsidiary holding companies, and $980,000,000 or 60.5% in operating companies. The pattern followed in financing operating companies consists of dividing securities into 50% bonds, 25% preferred stocks, and 25% common stocks. In actual practice the securities of the operating company are divided on the basis of 55% bonds, 23% preferred stocks, and 22% common stocks.

Of the total $1,620,000,000 securities of the system, the public holds about $1,140,000,000. Virtually all the common stocks of the subsidiary operating and intermediary holding companies are held directly or indirectly by the parent company. The widespread ownership of the system's securities is an indication of the standing of the company and its popularity with investors. More than 345,000 persons are stockholders, to which may be added another 250,000 persons holding bonds, giving a total, therefore, of about 600,000 individuals who are security holders of the system. In large part, the securities are held by residents of the territory served. This condition goes a long ways in keeping a cordial relationship between the system and customers and is one of the best forms of insurance against unwarranted political attacks.

As the system has grown and consumption has increased, domestic customers have received the benefit from steadily lower rates. The average unit price of domestic electric service in 1930 was 5.6% less than in 1929. The experience of one of the typical companies of the system shows that the average revenue per kilowatt-hour was 9.60 cents in 1922 but this dropped to 7.47 cents in 1930, a decline of 22%. Over the same period average domestic consumption has grown from 254 to 419 kilowatt-hours per year.

The utility companies of the country are aware of the large potentialities for further development of the domestic market. With business and industrial depression becoming progressively more acute last year and hence industrial load dropping off, managements concentrated on building up the domestic load. Intensive efforts are being made to place electrical equipment in the homes. In 1930 Middle West's sales of appliances increased 8.6% over 1929, entirely aside from sales of similar appliances in its territory through other agencies. The wider use of these appliances is being reflected in rapidly rising consumption of electricity by residential consumers, and last year the average amount of energy thus consumed was about 16.7% greater than in the preceding year.



Middle West Utilities Co. is chiefly an electric system, 71.6% of the total operating revenues coming from this source in 1930. Gas sales produced 8.1%, transportation 6.3%, ice 10.1%, water 1.4%, heat 0.5% and 2.0% from miscellaneous services. The total gross operating revenues amounted to $153,565,617. Merchandise and job-work earnings were $15,933,842; non-operating income from various sources $4,296,596; profit on sale of securities and properties $3,010,009; and interest, dividends and other income $5,407,911. The total gross income from all sources amounted to $182,213,975. In 1929 total gross earnings were $162,337,274.

The operating expenses and taxes amounted to $90,327,229, maintenance to $11,121,360 and depreciation $8,200,172 leaving a balance of $72,565,214. Maintenance and depreciation together were $19,321,532 or 12.6% of the total operating gross revenues, a ratio which is about equal to that of the average large utility system. After all prior charges the amount accruing to the Middle West Utilities Co. was $20,057,067. In addition to this, Middle West Utilities which, as explained previously, is an investment holding company had a further income accruing to it of $11,449,506 derived chiefly from interest and dividends on securities of outside companies, from profit on sale of securities and from fees for engineering services. Total income of the parent company therefore was $31,506,573. Expenses of the parent company were $4,982,025 leaving net income of $26,524,548 equivalent to $1.59 a share on the 14,519,730 shares outstanding at the end of the year. This compares with $1.18 a share on a smaller number outstanding the year before.

Besides the common shares, the parent company has outstanding 607,396 shares of $6 convertible series "A" cumulative preferred. Each share of this stock is convertible into two shares of common stock to December 31, 1932, thereafter to December 31, 1935, into one and three-quarter shares of common and thereafter into one and one-half shares of common. There are also outstanding $50,000,000 serial gold notes due in batches of $10,000,-

(Please turn to page 64)

E. I. DU PONT DE NEMOURS & CO.

UNION CARBIDE & CARBON CORP.

Great Diversification in Two Stocks

Chemical and Specialty Manufacturers Protected by Multitude of Products and Activities in Many Markets

By J. C. CLIFFORD

DIVERSIFICATION which is closely allied to the law of averages is man's greatest, perhaps only, weapon against the unforeseeable risks of life. It is the principle on which an insurance company operates, whereby an individual in exchange for a small known loss may procure protection against the possibility of incurring a very much greater one. In it can be found the soundest argument for the purchase of securities in an investment trust. Of course the resources of a comparatively wealthy man are sufficient to obtain a well balanced list of investments through which he can reasonably expect to have his principal thoroughly safeguarded, but those for whom such a course is not possible are always confronted with the problem of spreading their capital effectively and not too thinly. In order to procure diversification, however, the small investor is not obliged to commit himself to an investment trust in the strictest sense of the word. He may obtain the equivalent effect by purchasing an interest in many companies usually classed as "operating" but whose scope is so wide that for practical purposes he is as well protected in regard to diversification as would have been the case had he bought stock in an out-and-out investment company. Excellent examples of such "operating investment trusts"—to coin a term—are to be found in E. I. du Pont de Nemours & Co., Inc., and Union Carbide & Carbon Corp.

In many respects these two companies are very similar. They both operate through a host of subsidiaries, domestic and foreign, which in turn have sub-subsidiaries. In each case there are also countless affiliates in which the stock interest owned is less than 50%, albeit still of very substantial size while in addition both possess numerous investment holdings. The two companies expanded mightily under the stimulus of the World War and the unprecedented demand for chemicals and allied products which this event created. In fact the war, through its effects upon the free movement of commodities, called into being the magic of chemical synthesis on a commercial scale and it is on this that the prosperity of both concerns now principally depends. The research departments which were opened all over the world as a matter of course during this period are still being maintained by the two companies. Moreover, their great importance is thoroughly recognized and the companies' efforts to discover new products and new uses for old ones continue unabated, regardless of the general depression and the widespread cry for economy. Du Pont stated in its annual report for 1930 that "your company's policy of maintaining large chemical and engineering research organizations in order to maintain and improve its position in the chemical industry has not been altered. In addition to approximately $1,750,000 expended for chemical control so indispensable in maintenance of quality and yields, approximately $4,-

DU PONT

Leading Activities and Products of E. I. du Pont de Nemours & Co., Inc.

CHEMICALS
- Heavy industrial chemicals, acids, salts, etc.
- Refrigerant chemicals
- Synthetic ammonia
- Tetra-ethyl lead for Ethyl Gasoline
- Various alcohols and solvents

DYESTUFFS
- Of all kinds, including those of an organic nature for coloring rubber

EXPLOSIVES
- High explosives
- Smokeless powders
- Black powder
- Detonating caps

PAINT FINISHES
- Duco
- DuLux from synthetic resins
- Paints, varnishes, lacquers, stains of all sorts

RAYON
- Also, basic chemicals for this product

SPECIALTY CHEMICAL PRODUCTS
- Chemical wood preservers
- Steel corrosion resisting liquids
- Seed and crop disinfectants
- Cellophane, transparent wrapping material
- Fabrikoid, leather substitutes
- Viscoloid and Pyralin, used in safety glass, toilet articles, fountain pens, etc.
- Motion Picture film.

OTHER ACTIVITIES
- Owns real estate
- Does construction work

INVESTMENTS
- Controls about 23% of the common stock of General Motors
- Other investments

250,000 was expended for the improvement of present processes and products, the development of new processes or products, and the accumulation of the fundamental information which serves as the basis for the development of new industries." Union Carbide pursues a similar policy, having stated that it "would afford research activities all the financial support which could be usefully employed."

The effects of such a research policy are seen in the enormously wide range of products which both companies manufacture, although peculiarly enough they are not, except to a very minor extent, competitors. In fact, although alike in many other ways, as soon as the products manufactured by the two companies are arrived at, the similarity between them ends.

Du Pont was originally a manufacturer of explosives only. Indeed, it is still the most important company in this field, having supplied about 40% of all the explosives used by the United States and her allies during the World War. The company's long experience with nitric acid and cellulose while manufacturing this line, however, was the natural cause of the further development of these products and it should be particularly noted in regard to du Pont's activities that they all have a logical relationship one with the other. For example synthetic ammonia and nitrates put the company into the fertilizer field, while a by-product of ammonia production is methanol or synthetic wood alcohol and from this to various other alcohols and solvents was but a short step. Then from alcohols and solvents to paints and lacquers. The company is famed as the manufacturer of "Duco," the quick drying enamel which revolutionized the painting of automobile bodies, furniture and interiors.

From cellulose for high explosives to cellulose for rayon or artificial silk was yet another logical step taken by the du Pont company. From artificial silk to artificial leather—"Fabrikoid" widely used in the upholstery of automobiles and furniture. Then to artificial paper—cellophane—now made waterproof and used to wrap almost everything where protection from either dust or the atmosphere is at all important. Then there are the nitro-cellulose products "pyralin" and "viscoloid" from which toilet articles, non-shatterable glass, fountain pens and many other things are made.

In addition the company is engaged in the manufacture of other acids and heavy chemicals, motion picture film, dyestuffs and coated textiles. It controls through a 70% ownership of the General Motors Securities Co. about 23% of the common stock of General Motors Corp. This investment which was made about twelve years ago has been astoundingly profitable. For the period 1922 to 1930 inclusive over half du Pont's net income has consisted of dividends received from the motor company, while a commitment which is said to have entailed an outlay of no more than $57,000,000 is now appraised in the open market at some $400,000,000. Du Pont's close relationship with General Motors is being more strongly cemented every year. Recently the two companies formed Kinetic Chemicals, Inc., which is engaged in the manufacture and sale of new types of refrigerant chemicals and allied products. Du Pont also manufactures tetra ethyl lead to supply the requirements of the Ethyl Gasoline Corp., jointly owned by General Motors and Standard Oil of New Jersey.

Du Pont is continually adding to its line. Last year the Roessler & Hasslacher Chemical Co. of N. Y. was acquired giving it a large number of important specialty chemicals which had not previously been manufactured. The company also in recent months succeeded in producing a new type of delay electric blasting cap, improved materials for electric detonators and about forty new organic dye tints for coloring rubber in addition to a new paint finish made from synthetic resins, introduced under the name "DuLux."

In the case of Union Carbide, the company's activities are not quite so complementary one to the other as they are in the du Pont organization. Calcium carbide is the principal product from which is generated acetylene gas used for cutting and welding metals and also for lighting purposes. The apparatus used in connection with this gas is also manufactured by the company. Union Carbide produces and sells other industrial gases including oxygen, used in conjunction with acetylene in the "ox-welding" process; propane under the trade name "Pyrofax" which has a wide demand for a household gas in locations where city gas is unavailable; and nitrogen. Still other gases produced by the company include ethylene, an anesthetic, helium, neon, etc., used in the manufacture of incandescent lamps, in addition to others having various industrial applications.

Union Carbide & Carbon Corp. as its name implies is also an important producer of various carbon products. Lamp carbons of all sorts, kinds and descriptions are made, in addition to carbon brushes for electric motors and carbon specialties. Moreover, the company is a very important manufacturer of dry cells and batteries under the name "Eveready." The "Eveready" brand is also used in connection with automobile anti-freeze mixtures—"Eveready Prestone"—raytheon radio tubes and all kinds of electric bulbs and flashlights. Union Carbide's activities include a very important chemical division and this is perhaps the only place where the company comes into direct competition with du Pont. Many kinds of alcohols and solvents are made and these have a wide use in the textile, paint, lacquer and varnish trades.

(*Please turn to page 62*)

UCC

Leading Activities and Products of Union Carbide & Carbon Corp.

CARBON PRODUCTS
- Carbons for all kinds of lamps and electric motors
- Carbon specialties

CHEMICALS
- Alcohols and solvents, used in the paint, lacquer, varnish, textile and other industries
- "Prestone," an anti-freeze mixture
- "Vinylite," a plastic resin for general molding purposes
- Fumigants for grain, foodstuffs, furs and textiles

NATURAL GAS GASOLINE

GASES
- Calcium carbide for generating acetylene gas
- Oxygen
- "Pyrofax," the household gas
- Nitrogen
- Ethylene, an anesthetic
- Helium, Neon, Xenon and Krypton, and other gases used for incandescent lamps

MECHANICAL APPARATUS
- Acetylene gas generators, lighting fixtures and welding apparatus
- "Eveready" lamps and flashlights of all sorts
- Dry cells and batteries
- Radio tubes

METAL ALLOYS
- Various steel alloys
- Copper and other non-ferrous alloys
- "Stellite," a non-ferrous alloy of outstanding hardness.

GRAPHITE PRODUCTS

RAW MATERIAL RESOURCES
- Hydro-electric power
- Quarries and mines

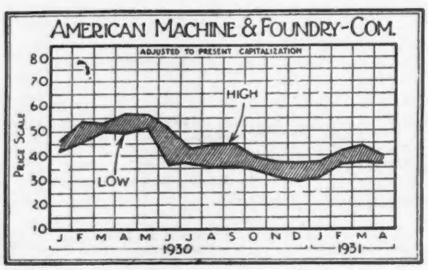
INVESTMENTS

A Stake in Tobacco Machine Equipment

Strong Current Earning Position and Established Record Place Stock in Favored Category

By Martin C. Crawford

ALTHOUGH there is nothing in the name to reveal it, American Machine & Foundry Co., nevertheless, derives most of its income from its connection with the tobacco industry. The company manufactures automatic machinery extensively used in preparing and manufacturing tobacco products, including patented machines for making cigarettes, cigars, stripping and booking tobacco, packing cigarettes and others. Indeed, the company enjoys what practically amounts to a monopoly in the cigarette manufacturing industry where its units comprise from 90 to 95% of those in use in this country. Through a subsidiary it also manufactures and leases machines which produce practically all the machine-made cigars in the United States.



Besides manufacturing machinery for use in the tobacco industry, the company achieves a measure of diversification in its other activities. Among its products are machines having general commercial application including the weighing of packages, wrapping, photo-composing machines, printing presses, and others. In March, 1929, the American Oven & Machinery Co. of Chicago was acquired thereby extending business to the baking industry, and in April, 1930, increased its interest in this particular line through the acquisition of Martin Miller & Co., manufacturers of baking machinery.

The company's dominant position in the tobacco machinery business is certainly not expressed on the part of the management by a desire to rest on these laurels. In fact, the company has been working on an improved cigarette machine for more than a year which if perfected will greatly speed up cigarette manufacturing. This new machine is designed to manufacture between 1,600 and 2,000 cigarettes per minute as against capacity of the machines now in use of approximately 600 per minute. The possibilities for the company through a machine of this capacity are indeed attractive because it involves not only the resupply of the domestic market with the new machine but opens up the possibilities of the foreign market which now goes elsewhere. This opportunity for tremendous expansion for American Machine's business should result in much improved profits.

The cigar making machinery is handled by the company's subsidiary, the International Cigar Machinery Co., of which the parent company owns two-thirds of the common stock. Last year saw the greatest increase in the number of machines placed in operation with 671 new machines, making the total of 4,170 in use at the end of the year. These machines are installed on a royalty basis of $1 per thousand cigars manufactured. The trend is distinctly toward machine-made cigars and last year despite the fact that total cigar production declined to the lowest point since 1900, more cigars were manufactured by machines than ever before. Reflecting the greater number of machines in operation and the larger royalties derived therefrom, International Cigar Machinery in 1930 increased its dividend payments to the parent company. In fact, every year since 1926 these have increased, as the cigar machines have found wider and wider use. Last year the parent company received $1,200,000 in dividends against only $130,750 in 1926.

Consolidated income account of American Machine & Foundry for 1930 shows sales of $6,881,162, slightly below those of 1929, and royalties of $230,145 which were about the same as in the preceding year. Total revenues from these two sources amounted to $7,111,307 which compares with $7,327,069 in 1929. After costs and expenses there remained operating profit of $1,978,184 in 1930 against only $1,669,929 the year before. Other income, which included dividends from International Cigar Machinery Co., was $1,412,385 against $1,355,494 in 1929. After minority interests, depreciation and Federal taxes there remained net profit of $2,931,110. In 1929 net income was $2,560,643. The per share earnings on the common stock were $2.82 in 1930 against $2.50 the year before, based on the present number of shares.

The capitalization of the company now consists of 1,000,000 shares of no par common stock and $1,369,000 of bonds. The capital structure was simplified during 1930 through the retirement of $2,000,000 or 20,000 shares of the preferred stock. The financial position of the company at the end of 1930 was excellent with $5,013,301 of current assets and $343,955 of current liabilities leaving net working capital of $4,669,346.

The common stock, recently selling for about 35, represents a desirable and a conservative equity in a company which appears to have attractive possibilities in addition to its already established earning power. The stock carries a regular dividend of $1.40 a share and extra last year totaled 25 cents, returning therefore a yield of approximately 4.7%.

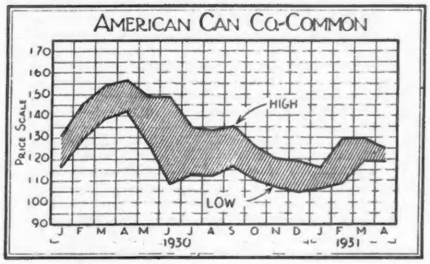
AMERICAN CAN CO.

Has Sound Basis for Market Leadership

A Stock to Buy When the Market Turns

By C. William Trent

ONE of the best trading stocks in recent years and one which at the same time possesses considerable attraction from a purely investment viewpoint has been American Can Co. common. For several years past, over any six to eight months' period, it has had wide swings between the highest and lowest points so that the shrewd investor-trader has had excellent opportunities to take repeated handsome profits.



In 1928, for instance, the range in price was from 70½ low to 117½ high. Toward the end of that year the stock declined from this high of 117½ to well under 100. In the next eight months the stock advanced to 184½ and then in the market crash of October-November, 1929, it declined to 86. From this figure, in the early part of 1930, the stock advanced to a high of 156½ from which it declined in the last week in June to a low of 104⅝ in December. In the rise of the market during the first two months of the current year, the stock advanced to 129¾ and is currently selling around 118 or approximately half way between the high and the low of the most recent swing. Based on the extent of the moves in the six- to eight-month swings in recent years, however, the amplitude of the recent two months' upward swing is relatively a small one.

Aside from its attraction as a trading medium, American Can common is a desirable investment holding which if held for the longer term should show the purchaser handsome appreciation as well as a moderate return during the period in which the stock is held. Earnings have shown a steady upward trend for many years past and even during 1930, a year of decided recession in general business, American Can achieved a new peak in earnings, excelling even the highly prosperous year of 1929.

The company is by far the largest factor in the industry doing a business about four times as great as its nearest competitor. The phenomenal growth of the company has of course received its stimulus from the steady increase in the use of canned foods of all sorts, and also from the trend in recent years to package foods formerly sold largely in bulk. The packers of vegetables, fruit, fish, meats and other perishable food products are still the largest users of cans, taking about 55% of the company's production. A constantly increasing part of the output, however, is utilized by a large number of industries as containers for such products as oils, chemicals, paints, coffee, tobacco, tea, baking powder, cigarettes and toilet articles. These now take about 45% of the company's output.

Fifty-two plants are in operation, located in nineteen different states in various parts of this country, including five in Canada, and two in Hawaii. Most of these properties are owned outright although a few are leased. All of the plants are thoroughly modern. The large and growing demand for the company's products necessitates constant expansion of facilities and last year expenditures for new construction amounted to over $11,500,000. About $71,000,000 has been spent on plant expansion in the past decade. Through British Can Shares, Inc., in which American Can has a substantial interest, a foothold has been obtained in Great Britain.

While it is true that the demand for cans and containers is affected by the crops of fruit, vegetables, and fish hauls, the source of demand is so diversified, geographically as well as respecting type of product to be canned, that individual variations have a tendency to offset each other.

The company does not report gross earnings, but last year the sales were larger than in 1929 and larger than in any previous year. The net earnings for 1930 amounted to $27,883,940 or about 1.2% above 1929 and 12.1% above 1928. Deducting depreciation charges and Federal taxes, net income for 1930 was $22,883,940 equivalent after preferred dividends to $8.08 a share on the 2,473,998 shares of $25 par common stock, against $8.02 in 1929.

The company's financial position is exceptionally strong and at the end of 1930 total current assets were $55,082,309 of which cash alone made up $16,286,885, while current liabilities were only $13,383,378, indicating a net working capital of $41,698,931. In fact, net working capital has been maintained at about this level for many years. The company has no funded debt. Besides the common stock there are outstanding 412,333 shares of $100 par value preferred stock.

Considered from many angles the common stock of this company is well worth the interest of the average stock purchaser, combining as it does excellent investment qualities with the speculative attraction of periodic price swings. Because of its leadership and conformance in price movements with the general trend of the market it should not, however, be acquired until the current downward movement of prices has been reversed. When this occurs the stock offers attractive prospects of higher prices. Dividends are currently being paid at the rate of $4 regular and $1 extra per annum, returning at the recent price of 118 a yield of 4.2%.

BEECH-NUT PACKING CO.

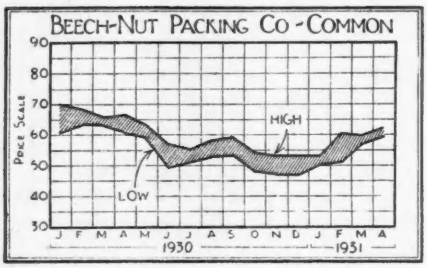
Earnings Hold Up in Face of Adverse Conditions

Protected by Extensive Line of Varied Food Products

By Ronald P. Hartwell

THE results for the first quarter of 1931 again attest the stability of earning power of the Beech-Nut Packing Co. during a period of depression in general business activity. Net income for this three months' period was essentially the same as for the corresponding three months of 1930 and only moderately below the results reported for the first quarter of the "boom" year 1929.

Two reasons account for the company's remarkable ability to make such an excellent showing. The first is that it is engaged in the food industry, which has the inherent characteristic of resisting depression because food is probably the least if not the last of the items to be cut in the average family's budget during a period of lower wages and consequently impaired family purchasing power. And second, Beech-Nut has a widely diversified line of food products, a factor which is important in keeping the aggregate of its business at an even level.



Beech-Nut Packing is an old established company in its field and has enjoyed a long series of successful years since its organization some thirty-one years ago. The company's dividend record extending back to 1902 is convincing evidence of this. At the outset of its career, operations were confined to the packing and distribution of ham and bacon. The company developed its sales appeal by emphasizing and impressing the public with the sanitary conditions under which its products were prepared and offered for sale. The name Beech-Nut soon had real value in the food field and subsequent development and expansion of the company capitalized the steadily increasing fame of this trade mark.

The addition of new products expanded the Beech-Nut line to include chewing gum, peanut butter, preserves, jellies, marmalades, beans, sauces, confections, ginger ale and other products. By 1920 the annual sales volume reached $9,000,000. The confectionery business particularly has experienced rapid growth and in order to provide extra plant space the ginger ale formulas were disposed of. During the next ten years, the company continued to expand its line of products adding prepared spaghetti, macaroni products, fruit and candy drops, chocolate bars, coffee, and biscuit dainties.

Practically all these products are sold in packages, tins, or glass jars, and at prices which are more or less standardized throughout the year. All are in widespread demand in the average American family and could hardly be classified as luxury items. The sustained sales of the company's goods during the past year or so clearly bears this out. The most important of all its products are chewing gum and confections which together are believed to account for about 50% of the gross and net earnings.

The manufacturing facilities of Beech-Nut comprise two plants at Canajoharie, N. Y., one at Rochester, N. Y., and one in Brooklyn, N. Y., which are models of up-to-date efficiency. Through subsidiaries, a plant is operated in California for the preparation of fruit conserves and the manufacture of confections and another in Canada manufactures chewing gum and candy. In 1929 Beech-Nut acquired control of the Sell-Weigh Machines Co. located at New Hartford, N. Y., a company which is engaged in the manufacture of vending and weighing machines. Beech-Nut has also made expansion moves abroad. An agreement was entered into with Rowntree & Co., Ltd., of England to form a company—Beech-Nut Sweets, Ltd.—for the manufacture and sale of Beech-Nut chewing gum and confections in British possessions.

A feature in connection with Beech-Nut Packing Co. is the arrangement whereby its products are handled in the several thousand United Cigar stores throughout the country. In November, 1927, these two organizations negotiated a ten-year contract to this end, and as one of the conditions, United Cigar Stores purchased 50,000 shares of Beech-Nut Packing common stock at not less than $50 a share. Last September, however, after the G. K. Morrow interests had obtained control of United Cigar Stores, 46,000 shares of this purchase were sold to Gold Dust Corp., another of the G. K. Morrow companies. The average price was reported to have been about $85 a share. The remaining 4,000 shares were said to have been sold in the open market.

Gross sales for the year 1930 were $24,238,661 which compares with $25,098,305 in 1929. Net profits after all expenses, charges and Federal taxes were $2,465,471 and $2,702,952 respectively equivalent to $5.52 and $6.05 on the common stock. For the first quarter of 1931 the company reports profit before Federal taxes of $608,817 or approximately the same as for the first quarter of 1930 when profit was $614,031. The balance for the common stock after estimating Federal taxes was $1.20 in the 1931 quarter against $1.24 in the 1930 quarter.

Beech-Nut is modestly capitalized and with the exception of a negligible amount of Class A preferred stock, the

entire equity in the earnings accrues to the common stock of which there are presently outstanding 446,250 shares of $20 par value. The stock is not a very active one on the New York Stock Exchange where its recent price was about 57. Paying a $3 dividend the stock returns a yield of 5.3%. The price-earning ratio of 10 to 1 indicates a modest appraisal for the stock and for the investor who seeks a conservative commitment the common may be acquired as soon as the current downswing is arrested.

Must Wages Come Down?

(Continued from page 19)

declines in past depressions have been only one-fourth or one-third as extensive as the commodity declines. Accordingly, the decline of approximately 3.8 per cent in hourly earnings of manufacturing workers between July, 1930, and February, 1931, may suggest to some observers that a maximum recession of 7 to 10 per cent might constitute a logical halting point.

Unless the Machine Age is now heading for eclipse, which seems unlikely, it is plain that the long-term trend of American wage scales is upward. The permanent gain rests upon increased productivity per worker. There is little or nothing in the historical record to bolster the argument that only an advance in commodities could justify maintenance of existing wage standards.

The record of steady wage gains, even in the dim years when labor was regarded by business men in much the same light as a commodity, suggests rather strongly that the basic trend actually is controlled by the more or less free play of economic forces. Business and social sentiment in the past apparently has had little to do with the matter. For this reason careful scrutiny may well be focused upon that easy philosophy which in recent years has attributed prosperity largely to the enlightened willingness of American business to maintain and increase wage standards. If there was any conscious "movement" along this line, it fell far short of matching some of the extravagant claims made for it. It is possible that we would be better off if production, profits, dividends and wages had moved up from 1924 to 1929 in much closer relationship than was actually the case. Against the remarkable growth of corporate profits during these years, average earnings of manufacturing workers crawled up only from approximately 57 cents to 60 cents an hour.

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	133.73	182.20	138.50	No	92	4.3
Atchison, Top. & S. Fe	5 (N)	40.21	49.18	30.08	No	108	4.6
Union Pacific	4 (N)	46.32	49.48	41.30	No	85	4.7
Baltimore & Ohio	4 (N)	49.44	48.87	36.46	No	77	5.2
Pere Marquette Prior	5 (C)	75.60	55.50	17.86	100	88	5.7
Illinois Central Conv. A	6 (N)	66.28	70.98	49.82	115	101	5.9
N. Y., New Haven & Hart	7 (C)	34.40	45.47	30.50	115	113	6.2
Chicago & Northwestern	7 (N)	53.84	69.65	37.25	No	107	6.5
Colorado & Southern 1st	4 (N)	49.45	41.72	15.00	No	57	7.0
Chic., Rock Island & Pac. (5% Cum.)	6 (C)	23.60	25.14	13.60	102	83	7.2
Kansas City Southern	4 (N)	14.01	16.02	7.50	No	55	7.3
N. Y., Chicago & St. Louis	6 (C)	17.68	20.49	12.20	110	75	8.0

Public Utilities

Public Service of New Jersey	8 (C)	§20.92	19.04	24.44	No	157	5.1
So. California Edison "B"	1½ (C)	3.28	3.61	3.63	28¾	28	5.4
Pacific Gas & Elec. 1st	1½ (C)	4.24	4.57	5.25	No	28	5.4
North American Co	3 (C)	40.22	47.48	47.51	55	56	5.4
Philadelphia Co.	3 (C)	20.68	26.19	NF	No	55	5.5
Columbia Gas & Electric "A"	6 (C)	30.78	33.95	26.86	110	108	5.6
Amer. Lt. & Traction	1½ (C)	17.20	21.38	20.71	No	27	5.6
Elec. Bond & Share	6 (C)	18.43	29.11	31.24	110	107	5.6
American Water Works & El.	6 (C)	31.05	39.11	44.22	110	105	5.7
North Amer. Edison	6 (C)	53.15	47.48	47.51	105	106	5.7
National Pr. & Lt	6 (C)	45.33	50.22	45.16	110	104	5.8
United Corp.	3 (C)	....	4.66	6.46	55	51	5.9
Buffalo, Niagara & Eastern Pr.	1.6 (C)	4.52	5.19	5.25	26¼	27	5.9
United Light & Power Conv	6 (C)	....	16.62	17.44	105	100	6.0
Engineers Publ. Serv. (w.w.)	5½ (C)	8.79	17.65	16.21	110	90	6.1
Standard Gas & Electric	4 (C)	14.07	20.39	20.95	No	64	6.2
Electric Power & Light	7 (C)	17.00	19.03	13.39	110	107	6.5
Federal Light & Traction	6 (C)	49.93	40.12	39.68	100	90	6.7
Hudson & Man. R. R. Conv	5 (N)	37.02	42.89	40.79	No	71	7.0

Industrials

du Pont (E. I.) de Nemours deb.	6 (C)	69.06	78.54	55.22	125	122	4.9
Hershey Conv.	†5 (C)	16.25	21.36	24.24	No	101	4.9
Aluminum Co. of Amer	6 (C)	14.04	17.19	7.93	110	109	5.5
Mathieson Alkali Works	7 (C)	84.50	93.91	84.68	No	125	5.6
Stand. Brands, Inc., Cum. A	7 (C)	123.40	129.41	111.03	120	122	5.7
Diamond Match	1.5 (C)	....	....	....	No	26	5.8
Brown Shoe	7 (C)	85.27	44.11	35.31	120	118	5.9
Curtis Publishing	7 (C)	21.48	23.93	21.25	120	117	6.0
General Cigar	7 (C)	62.81	85.92	64.03	No	116	6.0
Bethlehem Steel Corp	7 (C)	19.16	42.24	23.84	No	115	6.1
General Mills	6 (C)	18.70	18.86	20.03	115	99	6.1
Bucyrus-Erie	7 (C)	39.34	48.34	35.72	120	114	6.1
Commerc. Investm. Trust 1st	6½ (C)	45.50	81.92	90.87	110	103	6.3
Case (J. I.) Thresh. Mach	7 (C)	32.59	35.06	25.52	No	110	6.4
Bush Terminal Buildings	7 (C)	‡	‡	‡	120	110	6.4
American Sugar	7 (C)	14.60	15.40	12.60	No	105	6.7
Deere & Co.	1.40 (C)	5.90	9.64	5.20	No	21	6.7
Crown Cork & Seal	2.70 (C)	7.90	6.36	7.84	45	32	8.4

C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. ‡ Guaranteed unconditionally by Bush Terminal Co. † Regular rate, $4. NF—No figures available.

MINING

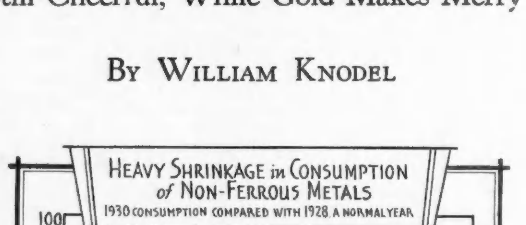
Shadow of Depression Affects the Metal and Mining Companies in Different Ways

Copper, Lead, Zinc and Tin Severe Sufferers but Aluminum and Nickel Still Cheerful, While Gold Makes Merry

By William Knodel

THE picture of the non-ferrous metal industry at the present time is one of remarkable contrast. Dark depression dominates the larger portion of the canvas but this gradually blends into the lighter tints and in one particular spot there is actually a bright spot. And, strangely enough, the picture has undergone a decided change in the last two years. Where the darker hues now prevail there used to be golden tints and where the bright spot now shines the color was then a burnt sienna. What changes will the canvas reveal in the future?

The bright spot in the present picture is the gold mining industry. Unlike every other commodity, gold remains stable in price at approximately $20.67 an ounce because it is its own measure of value. A paradox is presented when other commodities decline in price because gold in effect then experiences appreciation in value, i.e., is worth more in terms of other commodities although it remains the same value in terms of itself. In a period of declining costs such as we have been experiencing in a very decided manner since the latter part of 1929 the gold mining companies are in a very enviable position because the price of their product remains the same while the lower costs permit them to make larger profits.



It has not always been so in the gold mining industry. With the advent of the World War and increasing costs these companies in fact were steadily becoming less and less profitable and many reached the point where operations had to be suspended because the high level of costs did not permit profits. The whole procedure may be compared with the rising and ebbing of the tide. When the tide of costs are low the beach or margin of profit is ample, but as the tide of costs rises the beach or margin of profit steadily becomes narrower. If the tide rises high enough the beach may be entirely obliterated from view. Conversely, when the tide recedes, more and more of the beach becomes visible, and so also when costs of mining become lower, the margin of profit becomes greater. Indeed, during the flood tide of costs many gold mining projects may be unprofitable, but as the tide gradually ebbs they enter the profitable stage one by one.

In consequence of the brighter prospects ahead for the gold mining companies, the common stocks of established and proven gold mining companies have in recent months gone through a mild boom. Over the next year or so this boom may be carried through on a much larger and broader scale than so far experienced, but investors should exercise extreme caution in making commitments, avoiding the unseasoned and perhaps fraudulent stocks issued solely as a stock selling proposition by high pressure promoters. Rather, commitments should be confined to the better known companies who have a proven record.

Returning to our picture of the metal industries, we next see a part of the canvas less bright than the portion just described, but still of a light hue in con-

Heavy Increase of Stocks Hampers Recovery of Non-Ferrous Metal Industries

	Stocks on Hand: End of 1928 Tons	Stocks on Hand: Recent Figure	Increase over 1928
Copper (1)	316,586	566,353	79%
Lead (2)	39,529	122,826	211%
Zinc (2)	45,441	144,389	218%
Tin (3)	24,563	49,339	101%

(1) Figures for North and South America. (2) Figures for the United States. (3) World's visible supply.

trast with the larger part of the picture which is decidedly dark. Indeed, it is only the monopolistic character of the aluminum and nickel industries which has prevented them also from being submerged in the darker portion of the picture.

Monopoly, however, could not prevent a sharp falling off in consumption of either aluminum or nickel in the depression year of 1930. These two metals, as all other metals except gold for which there is an unlimited market, need rising business and prosperity to increase their consumption. But monopoly does allow one very important advantage to those controlling it and that is the price can be prevented from dropping to ridiculously low levels. The product need not be sold under the cost of production, which unfortunately is not the case in some other branches of the non-ferrous metal industry.

Aluminum Price Holds

Production of new aluminum in 1930 was actually 1.8% higher than in 1929 and was at a peak level. According to the Bureau of Mines 229,035,000 pounds of new aluminum were produced last year as against 225,000,000 pounds in 1929. The value, however, owing to a drop of 1 cent a pound in the domestic price from 23.9 cents to 22.9 cents, was slightly lower at $50,961,000 as against $51,864,000 in 1929.

While these statistics would indicate substantially the same prosperity for aluminum last year as in the highly prosperous year 1929, actually a considerable portion of the metal produced remained unsold. The report recently issued by the Aluminum Co. of America indicates that the tonnage of material sold in 1930 by this concern amounted to approximately two-thirds of that sold in 1929. The significant thing in the whole situation is that despite this large decrease in consumption which was even greater than in copper and equivalent to that in lead and zinc, the price of aluminum remained practically stationary, while in the case of the other metals the price dropped from 35 to 50%, levels not seen for many decades.

Aluminum has been finding increasing uses in many fields. Cooking utensils, formerly one of the chief uses for the metal, now consumes only 16% of the total output. Aluminum is used extensively in alloy metals especially where lightness and strength are desired. The various types of transportation industries including automotive, railroad, aviation and marine, now consume about 38% of the output. Its use in the electrical field is rapidly widening, in wire for transmission lines as well as in electrical equipment. About 16% of the aluminum produced is used in cables and busbars. Machinery uses another 8%.

For many purposes, of course, aluminum competes with other metals but because the former is lighter than most other metals it will go farther in proportion to weight. In relation to copper, for instance, aluminum is only approximately one-third as heavy so that even though the price of the latter is 22.9 cents per pound as against about 10 cents for copper, aluminum still has the advantage. Aluminum is one of the commonest elements in the world, constituting about one-twelfth of the earth's crust.

Nickel is in a similar position with aluminum in that it is under monopolistic control, practically the entire world output being produced by one company, the International Nickel Co. of Canada. World consumption of nickel dropped sharply last year to 88,000,000 pounds from 136,000,000 pounds in 1929 and 117,000,000 pounds in 1928, but despite the drastic decrease the price of the metal remained constant. Nickel is not competitive with other metals to any great extent and because it comprises only a small percentage of the total cost of manufactured products in which it is used, the policy of maintaining the price at a fixed level is only of minor importance in reducing consumption.

The most important outlet for nickel is in the production of alloy steels of which a large portion is used in the automobile industry. The sharp curtailment in this industry naturally had a marked effect on the consumption of nickel. In other directions nickel is finding increasing use, aided by the company's extensive research to develop new uses and new markets for the metal. Recently it had been used in a limited way in the manufacture of sinks. With general improvement in business conditions, the nickel industry should experience rapid recovery.

Slow Recovery in Other Metals

Leaving the brighter part of the picture, we then come to that large part in which there is little to see at present but gloom. Indeed, the more important branches of the non-ferrous metal trade are immersed in this area —copper, lead, zinc and tin as well as silver. World-wide economic depression has dealt severely with this group, but the discouraging part of the matter is that there is little likelihood of early or quick recovery. The best that can be expected is a slow recovery to a sound and reasonably profitable basis.

What is needed first of all is a recovery in general business and industry before any fundamental improvement can be looked for in these branches of the non-ferrous metal industry. And even if general business does recover, the large and burdensome inventories accumulated will (*Please turn to page 58*)

Effect of Depression on Metal Prices

	1928 Aver. Price Per lb.	Present Price Per lb.	% Decrease
Copper	14.68¢	9.50¢	35
Lead	6.31	4.25	33
Zinc	6.38	3.50	45
Tin	50.46	24.40	52
Aluminum	23.90	22.90	4
Nickel	35.00	35.00	..
Gold	$20.67*	$20.67*	..
Silver	58.18¢*	27.50¢*	53

* Per ounce.

Market Indicators

For Profit

Note to Foreign Bondholders

An American Council of Foreign Bondholders, modeled on the lines of the British Council of Foreign Bondholders is to receive serious consideration at the meeting of the Investment Bankers Association next month. Such an organization is supposed to set up adequate machinery to deal with defaults or threatened defaults by foreign countries and in this way protect the individual investor who has neither the knowledge nor resources to deal with a situation of the sort. In practice, however, it appears that should a country default, little can be done but give the event full publicity in an attempt to shame the offender into paying. As an example the case of our own State of Mississippi might be cited. About a hundred years ago this state issued bonds to British investors in order to aid two banks which were in difficulties at the time. It received full payment for the bonds, paid interest on them for some ten years and then when the banks were no longer successful calmly refused to pay anything more. The state was sued in the Supreme Court of Mississippi and it was held that the bonds were valid in every way, but despite this an amendment to the constitution was passed prohibiting the authorities from paying either interest or principal. The still-to-be-born American Council of Foreign Bondholders is not unlikely to be kept exceedingly busy in the near future, unless, of course, world business conditions stage a rapid recovery, but the individual investor would do well to remember the case of Mississippi before pinning too much faith on their efforts.

* * *

First Quarter Reports

That in general first quarter reports this year would be poor has been recognized for some time, so that the actual publication of lower earnings in comparison with the first three months of last year has occasioned little surprise. General Electric Co. reported net profit of $11,488,100 after depreciation, interest, reserves and Federal taxes which, after dividends on the "special" stock, was equal to 38 cents a share on 28,845,927 shares of no par common stock. This was 2 cents less than the dividend requirements for the period and compared with earnings of 50 cents a share for the corresponding three months of last year. National Biscuit showed 70 cents a share earned, just sufficient to cover regular dividend requirements and the per share earnings were exactly the same as those reported last year on a comparative basis. General Foods' per share earnings were off to $1.05 compared with $1.13 for the first quarter of 1930. Mathieson Alkali Works earned 39 cents a share against 76 cents last year, Hudson Motor Car 14 cents against $1.45, Beech-Nut Packing $1.20 against $1.24, Chesapeake & Ohio 65 cents against 91 cents and Hudson & Manhattan $1.02 against $1.27. Although this list is by no means complete the trend is quite clear and from all the evidence now available there is reason to believe we shall be at least well into the third quarter before any material change for the better is seen.

* * *

A High Grade Preferred

For those desiring a high grade preferred stock consideration should be given to the $6 cumulative convertible preferred stock of Gold Dust Corp. The company, originally engaged in the manufacture of washing powders, soaps and shoe polish, has diversified its line mightily in recent years having added flour and a large number of food products. The $6 preferred stock, which is convertible into 1¼ shares of common until December 31, 1932, and thereafter until redemption share for share, is currently quoted on the New York Stock Exchange around $113 to yield 5.3%. From an earnings standpoint the issue is remarkably strong. For last year Gold Dust reported $109 earned on its preferred stock while for 1929 $124 was shown. Although price appreciation appears to be somewhat limited by the call price, the well-secured yield is more than ordinarily reasonable in this time of easy money rates.

* * *

Junking Old Automobiles

Perhaps the most interesting of recent developments in the automobile industry is that of junking worn-out cars. The removal of decrepit vehicles from the country's roads where they are a menace to their drivers and everyone else and the elimination of those depressing graveyards, the last resting place of all good automobiles, has been a problem of increasing seriousness in recent years. It is now, however, apparently well on the way to being solved. The Ford Motor Co. pioneered the movement, starting with the offer of a small payment for any of their own old cars delivered at the factory in Detroit and simply junking any received. This is the method still in use by other companies. The next development on the part of the Ford company was the construction of an assembly line in reverse, onto which old cars of any make, received in "trade" by the company's dealers, are run. Metal which may have salvage value is removed, the glass saved, the tires kept for transformation into steering wheel material, upholstery and tops taken off for re-processing and eventually the remaining hulk crushed and thrown into a furnace for re-melting. In this way it is calculated that the Ford company saves at least 60% of the $15 or $20 paid for each car, even on the basis of no more than three or four hundred a day. Now, however, the junking line is to be expanded and it is expected that the company will shortly have

The Stockholder

and Income

facilities for handling some 5,000 worn-out cars every day. The systematic junking of old automobiles unquestionably has a favorable psychological effect upon dealers who become somewhat chary of ordering new cars when their yards are cluttered up with old ones and also upon the public in general who dislike to throw anything away but are perfectly willing to part with an out-moded article if only they receive *something* in return. In fact, systematic junking is a constructive development from every one's point of view and ought to be encouraged.

* * *

Good News for Nickel

Intra-commodity and intra-industry competition has been one of the most noteworthy developments of modern times. Oil competes with coal, steel with wood, rayon with silk, rubber with leather, to cite some few obvious examples. Silver, from time immemorial considered a precious metal, is rapidly falling in the world's estimation. There is now but one important country on a silver standard. But even so it had been hoped that the gold standard countries would continue to use silver in their small coinage. This outlet, however, is rapidly being closed. Following Switzerland's lead of fifty years ago there are now some twenty-four countries which have substituted nickel for silver in their currency. Luxemburg is the latest to make the change, having ordered some few weeks ago two million 50-centime nickel pieces, and it is now estimated that the world contains about three billion nickel coins of 62 denominations. Although this movement will work a hardship on sorely-tried silver producers, it ought to work a compensating benefit on the International Nickel Co. of Canada, Ltd., which is almost monopolistic in its field. Incidentally the president of this company at the recent annual meeting pointed out that International Nickel had undergone a significant transformation in late years and was now more of a manufacturing unit than a strictly mining organization.

* * *

A Medium Grade Bond

Florida Power & Light Co. supplies electric light, power, gas and ice to a number of communities in Florida having a total population of some 450,000 persons. The company is controlled by American Power & Light Co. which in turn is affiliated with the Electric Bond & Share Co. Of the gross earnings of the company about 70% is derived from the sale of electric current, 7% from manufactured gas, 6% from transportation, 4% from water service and about 13% from the sale of ice and miscellaneous sources. The 1st mortgage 5s of Florida Power & Light Co. due January 1, 1954, are outstanding in the amount of $52,000,000 and are currently quoted on the New York Curb Exchange at 89 to yield about 5.87% to maturity. These bonds are a direct obligation of the company and are secured by a first mortgage on its entire property. Earnings appear to be currently running at the rate of about one and a half times interest requirements on an over-all basis. Although it cannot be said that Florida Power & Light 1st 5s represent a gilt-edged investment they seem to be reasonably well secured and it must be remembered that the territory through which the company operates has in all probability been exceptionally hard hit in recent years what with land booms, tornados and the effects of the general depression. That the company has done as well as it has under these conditions speaks for itself and, on the not unreasonable assumption that gradual improvement throughout the state will be seen from now on, there is every reason to believe that the company's obligations will also gradually better their investment standing.

The Steel Corporation's Meeting

The annual stockholders' meeting of United States Steel Corp. was held recently, and in contrast to many other company meetings held in late weeks the event was anything but spectacular. In fact, the whole affair was dignified, friendly and confidence inspiring. The most important point touched upon, of interest to stockholders generally, was the corporation's profit sharing scheme. Although the plan went into effect during 1921 distributions have been made only in the years 1923 to 1930 inclusive. They averaged $3,122,168 annually and were disbursed to no less than 2,574 individuals. The largest amount received by any one man during 1930 was about $70,000 in stock and cash and although the name of this man was not disclosed it is presumed to be Mr. Farrell, the company's president. This is in marked contrast to the situation existing in Bethlehem Steel Corp. which reported bonus payments during 1930 of $1,938,856 to approximately twenty individuals. Of this amount the president, Mr. Grace, received $1,015,591. Even though Mr. Grace receives only the nominal salary of $12,000 annually and Mr. Farrell is popularly supposed to be paid $250,000 a year, there is a wide difference between the methods employed by the two companies in rewarding their managements—and what is more it is particularly noted that the bonus incentive did not get very far down the line in the case of Bethlehem. Without attempting to argue the merits and demerits of large bonus payments in general from the point of view of stockholders, it is obvious that the question is an exceedingly important one and the contrasting methods employed by the two largest steel companies of the country clearly indicate that there exists much debatable ground. Stockholders then had best bestir themselves, either vastly increasing or savagely curtailing bonus payments, for how can both methods be right?

READERS' FORUM

Personal Investment Talk No. 3

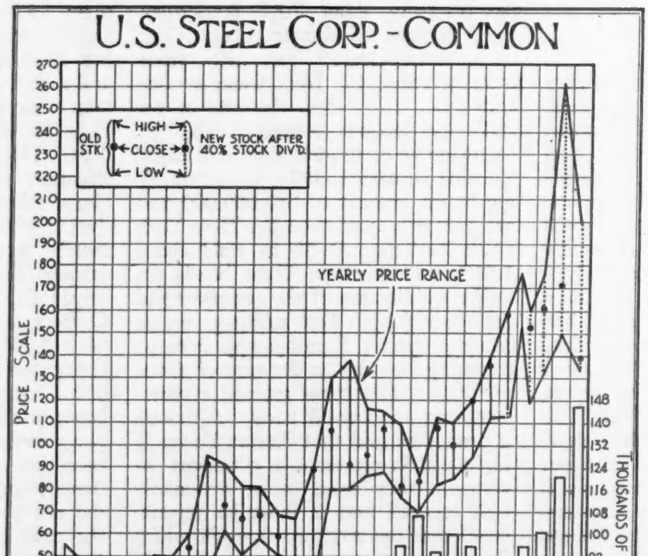
Business Democracy in the Making

Are Corporate Ownership and Management Facing Another Evolution?

By John Durand

IF over a century and a half of uninterrupted political democracy in the United States has not sufficed to convince the alarmists that our people are not receptive to any form of autocratic government, whether under the guise of Sovietism or of Fascism, let them turn for reassurance to the evolutionary changes in business management through which this country has passed since the days of the early settlers. Democracy, in politics or in business, recognizes individuality, and individualism takes root in egoism, the most insistent of all human instincts. Our nation was founded, and subsequently developed, by people who would not submit to repressions which the peasant classes of Europe have long endured.

In the early pioneer days of America nearly everyone owned and managed his own business. As the country grew in population and conditions became more complex, the business community became divided into employers and employees; yet the employer still owned and managed his business, and most of the employees expected to set up in business for themselves later on. But little business grew, gradually and then rapidly, into big business. It became too unwieldy to be managed by one proprietor, or even by several partners. Management stratified into a whole chain of executives, from chairman of the board down to labor foremen. Ownership also began to scatter when it became necessary to give outsiders an interest in the business in exchange for needed capital. These new capitalist owners naturally acquired the power to appoint chief executives. And so there was set up in our business world an oligarchy of ownership and management which has gone on expanding until individual proprietors and partnerships are now faced with the probability of becoming sucked eventually into the new regime. Thus the first period of business evolution in this country, when extreme individualism becomes transformed into oligarchy, appears to be drawing to a close.



It seems to be a universal law that every evolutionary development generates its own disintegrating poisons of senility while giving birth to the seed from which a new order is destined to grow. Of recent years we have had cumulative evidence in the accelerated rate of diffusion in common stock holdings that our present capitalistic oligarchy is but the first step toward a democracy in business which will eventually restore to employees a large measure of their lost ownership and a renewed voice in the management. Individualistic America will welcome the outcome and yet, as frequently happens in the evolution of human institutions, the new order will emerge as an unpremeditated by-product of changes that were motivated by conscious aims of a quite different character.

A glance at the accompanying chart will show that popular ownership in common stocks is not an altogether new phenomenon. In a sense it may be said to date back to the opening year of the present century when a brilliant market operator, James R. Keene, succeeded in distributing 5,000,000 shares of common stock in the newly incorporated U. S. Steel Corporation to 16,000 investors, and to perhaps a like number of margin traders. At an average price of $40 a share, this

called for an average investment of some $6,000 for each of the outright owners, and about $1,500 for the average speculative holding. Twenty-eight years later the number of stockholders had increased by 650%, despite a gain of only 65% in the population. Stated otherwise, Steel common was originally distributed to one out of every 400 families in the United States, while today you will find some of this stock carried outright, or on margin, in every 100 families. General Motors, as may be inferred from the data in Table I, is even more widely distributed; while American Telephone, the most popular of all, is now owned by one out of every 200 inhabitants.

The rapidly spreading interest in common stock ownership is undoubtedly prompted primarily by the universal desire to acquire an independent income, and the marvelous growth of American industry has seemed to offer people the opportunity to do this quickly and with comparative safety by saving and investing in the common stocks of well managed and expanding companies. The movement has been accelerated of recent years by a number of circumstances among which may be instanced the fostering of employees and customer ownership plans; the inheritance by women of wealth accumulated by male relatives; the advance in real wages to a level that has permitted saving on a large scale; and the phenomenal bull market which terminated, for the time being, in 1929.

There is no means of knowing how many people in the United States are the owners of stock. According to estimates recently prepared by the writer, five million would probably be an upper limit to the number of common stockholders, with perhaps an added two million who own only preferred stock. This would allow an average of one stockholder to every three families, which seems more reasonable than the much higher figures frequently cited. Of this total, there are grounds for supposing that about 25% are employees and 25% women. The figures for some companies seem much higher. Thirty per cent of U. S. Steel's stockholders are employees. With Armour & Co. the proportion is said to be even greater. Among the larger corporations, over a third to more than half of the stockholders are women.

Recent Growth in Common Stock Ownership

10 Industrials

Company	Approximate Number of Stockholders (Thousands—Near First of Year)						
	1925	1926	1927	1928	1929	1930	1931
Continental Motors	6	9	11	11	11	24	30
du Pont	3	4	5	7	10	26	35
General Electric	38	37	46	50	52	60	107
General Foods	1	1	2	4	18	32	42
General Motors	40	30	30	44	48	176	240
Packard Motors	5	6	9	14	19	40	94
Standard Oil, N. J.	27	28	45	55	72	100	110
Studebaker	12	14	19	19	17	26	34
United Fruit	21	21	24	25	26	28	29
U. S. Steel	96	91	87	97	103	121	146
AVERAGE	25	24	28	33	38	63	87

10 Utilities

Amer. Tel. & Tel	346	362	399	424	455	470	600
Cities Service	20	29	42	62	100	342	438
Cons. Gas, N. Y.	24	26	27	29	50	71	..
North American	9	18	25	29	33	38	..
Pacific G. & E.	11	12	13	17	19	24	..
Public Service, N. J.	4	7	11	15	19	23	..
So. Calif. Edison	45	41	41	42	43	44	..
Standard G. & E.	5	11	20	19	18	14	..
United Gas Improvement	14	15	16	16	33	67	..
Western Union	27	25	26	25	26	24	..
AVERAGE	50	55	62	68	80	112	..

10 Rails

Atchison	42	40	38	38	41	41	..
Baltimore & Ohio	23	22	24	30	30	35	..
Erie	8	6	5	6	6	8	..
Illinois Central	16	16	16	16	15	16	..
N. Y. Central	36	41	62	54	53	53	..
N. Y., N. H. & H.	23	22	21	18	17	19	..
Norfolk & Western	11	11	11	11	11	11	..
Northern Pacific	38	37	37	38	36	38	..
Pennsylvania	144	142	142	143	152	196	230
Southern Pacific	57	57	59	58	57	56	..
AVERAGE	40	39	41	41	42	47	..
30 COM. STKS.—AVERAGE	38	39	40	47	53	74	..

Reference to the accompanying chart discloses that, in every bull market but the last, since the Steel Corp. was organized, there has been a moderate falling off in the number of registered stockholders, followed by an increase to new high records during ensuing years of declining market prices. This used to be accounted for by the supposition that many investors were shrewd enough to close out their holdings near the top of the movement and then repurchase as the bear market drew to a close. A certain amount of astute semi-long pull investing doubtless does take pace; but it is now known that during periods of rising prices a considerable amount of investment stock is transferred into the names of brokers to be used as collateral for additional purchases. In the course of the subsequent bear market, much of this, along with the shares of new margin buyers, is gradually taken up and transferred back into the names of individual owners. During the great bull market of 1928 and 1929, however, the demand for common stocks attained such unusual proportions that the list of registered holders actually expanded along with an unprecedented increase in the number of margin accounts. Figures presented in the accompanying table show that the experience of U. S. Steel in this respect was by no means unique.

The accelerated rate of diffusion in common stock ownership of recent years may be attributed partly to the epidemic of split-ups, stock dividends, and rights which marked the fruition of a long period of uninterrupted prosperity; but in the instance of industrial common stocks at least, other influences were at work. In the five-year interval between early 1925 and the beginning of 1930, there was a decline of 33% in the average number of shares of industrial common stocks held by individuals; so that the diffusion in ownership has been more rapid than the output of new industrial common shares. Among the common stocks of public utilities and the railroads, and among preferred stocks of all three of these major groups, distribution has proceeded less rapidly and has failed to keep pace with the outpouring of new issues.

Among the preferred stocks, those of the public utilities

(Please turn to page 62)

¶ *What Happens When the Borrower Seeks Capital?*

Back Stage on the New Issue Productions

With Billions to Lend to Seasoned Concerns, the Investment Banker Seldom Opens the Door to a New or Untried Venture

By CHARLES H. HUFF

THE apparent ease with which corporations obtain vast loans from the banking and underwriting interests of "Wall Street" brings to the investment banking houses of that district an endless procession of "propositions" seeking the aid of capital to set new enterprises into operation. It may be enlightening to investors, whose relations with investment houses are governed largely by their faith in such firms, to learn how such "propositions" in the vast majority of instances and by the great majority of investment houses are received.

Millions for Investment

A railroad corporation goes to Wall Street to get $20,000,000, or even $50,000,000, to use in the development and expansion of its business. A utility company goes there in quest of many millions of dollars with which to acquire new properties and extend its service. An industry borrows the cost of erecting an additional plant. Such borrowers encounter little or no difficulty. They find the investment bankers and underwriting houses of "Wall Street" ready with unlimited funds to exchange for bonds and stocks. It is not uncommon for a railroad or public utility corporation bond issue of as much as $50,000,000 to be greatly oversubscribed overnight. The aggregate of such loans runs into enormous figures. The new financing by corporations whose securities are listed on the New York Stock Exchange amounted in the two years 1929 and 1930 to close to $20,000,000,000.

It is perhaps not surprising that such evidence of the readiness and capacity of "Wall Street" to provide money for purposes of business development and expansion entices an army of would-be borrowers of an entirely different classification to join in the quest for capital. These ranks include inventors or their business representatives, or promoters who are attempting to erect a business upon an invention or a new idea. To their dismay, these applicants rarely find the doors open to them. They are courteously received but usually are sent on their way without funds.

It is doubtful if there are many outside of the profession of investment banking, who fully appreciate the effective investor protection that is provided by the existing channels through which industrial financing are originated. Over and above the billions which are placed on the market in the ordinary course of the investment business there are other billions rejected. How and why the unfit issues are eliminated as they pass through the hands of the investment banker are interestingly portrayed in this article.

The sad truth that is learned is that the invention of a useful product, and even the demonstration of its production feasibility on a commercial basis, is a long step from actual industrial beginning. Such beginning can be made only with the aid of capital, and "Wall Street" as a rule isn't interested in providing capital for such ventures. Nor is this an arbitrarily unfriendly attitude toward new ventures. There are definite reasons which compel this attitude, and thus make the inventor's quest for capital a difficult and often disheartening undertaking.

Why Propositions Are Turned Down

The following will serve as an illustration of the situation which confronts the inventor who invades the Wall Street district in quest of funds with which to engage in the manufacture and sale of his product. We will assume that this particular inventor had devised an automobile accessory—a contrivance to salvage waste gasoline before it reaches the exhaust and return it to the carburetor. He came into an investment banking house with a letter of introduction. He was given opportunity to lay his plans fully before the analytical advisor of the company. He came well prepared—detailed mechanical blue-prints, typed specifications, expert engineers' reports on the feasibility as well as the utility of the contrivance, detailed estimates of production costs, survey of marketing possibilities and computation of potential profits. He had more than that. A quantity of the product had been manufactured, installations had been made and reports showing results of actual operation were available. The inventor's sheaf

of papers included written endorsements by two or three motor manufacturing executives, and one company was ready to make two dozen installations for test purposes. The contrivance was so designed that it could be adapted as standard equipment in the automobile factory or installed by a simple operation on automobiles already in use.

The inventor had begun with his idea and small capital —a few thousands of dollars—his own money and that of a few close acquaintances. Such capital had been exhausted in the steps thus far taken. He now needed capital in substantial amount, to build a factory, to install machinery for quantity production on an economical basis, to provide for raw materials and operating expenses and to meet the cost of sales and distribution.

Assuming further that all of the engineers' and other technical data presented by the inventor were reliable, it may appear to the layman that the proposition just outlined was one entitled to respectful and interested consideration by the investment banker. As likely as not, the proposition did not go beyond the analytical advisor's desk. It died there, so far as the investment house was concerned.

"*The Proposition Did Not Get Beyond the Analytical Adviser's Desk*"

The question of merit in the expert representations made on behalf of the product probably did not even engage the analyst's attention. He rejected the proposition for his house on one consideration alone: the bonds or stocks of the new venture could not be rated as investments, and as speculation they would not be easily and readily marketable.

Bankers Guided by Clients' Needs

It is not to be understood that a new venture never gets support in "Wall Street." A house, because of its particular clientele or having the necessary marketing organization, may now and then finance a new enterprise. But the experience just described applies to the vast majority of new ventures that go knocking at "Wall Street" doors. Why that is true becomes clear with an understanding of the exact role which the investment banker and underwriting house fill in the process of industrial financing. It is true that such agencies actually provide the funds for the borrowers, but they do so only when they are reasonably sure that they can get their money back, together with a small margin of profit, without difficulty and in the shortest possible time. They underwrite or subscribe to bonds and stocks which they believe they can promptly sell to their clients—the vast army of individual and corporate investors. The money that has been loaned must come back quickly, so that it can be loaned again. The investment house must turn its funds over, again and again in rapid succession, if profits are to be made. "Wall Street" can provide industry with unlimited funds only because the country's millions of investors provide "Wall Street" with unlimited funds.

The client investor who subscribes to the offerings of his investment house usually does so because of his faith in the house. The investment banker feels that responsibility and guards the trust reposed in him and his organization with zeal and diligence. He can safely offer his clients the bonds of the majority of railroad and public utility corporations, or the securities of established industrial corporations which have a satisfactory earnings record behind them. The position to take with respect to such issues can be quickly determined by analysis of available records. But he must be wary of the new and untried ventures even though from novelties or seemingly wild ideas frequently come the most epochal developments.

Bankers Cannot Afford to Guess

Moreover, in the case of a new venture, with no record on which to base a position, an investment house could not assume the responsibility its clientele expects without making a thoroughgoing research—both an expensive and a difficult process—and even then the position would be only a more or less hazardous opinion. There would be the further factor of increased marketing difficulties, inasmuch as the sales-resistance of investors increases as offerings depart from the field of so-called seasoned investments.

So it is that the investment house analyst considers the question of marketability and expresses regret to the inventor. That disappointed individual, if he is to continue his effort, must turn his steps elsewhere in the hope of finding capital, without the good offices of established investment bankers. That is not impossible, but far from easy. Thousands of worthy and practical inventions fall by the wayside for no other reason. An attempt to survive on small capital usually means a short life. The inventor's most promising prospect usually is to endeavor to interest an established manufacturer who can profitably adopt his product.

A striking illustration of the hard road of the inventor is found in the early history of what today is one of the country's leading and most widely sold household products. The originator of the formula of this product, more than forty years ago, rented a small space in the back of a store, put in crude facilities for manufacture and packing, and undertook to develop sales. He could interest no capital in his proposition, therefore could not develop the means of quantity production with resultant lower costs, nor could he carry out an advertising and sales program. After a brief career, considerably behind in the payment of rent, he gave to the owner of the store, from whom he was renting his small quarters, his equipment, supplies and the formula itself in settlement of his debts. The store owner thought nothing of it for quite a few years, then when he had accumulated considerable capital out of his own business decided to try it out thoroughly. He put his own capital into an advertising and selling campaign. Today the corporation manufacturing the product has assets of more than $10,000,000 and is earning a net profit in excess of $1,400,000 a year. Were it not one of the exceptions that prove the rule, it would have passed out of corporate existence long ago, for in its early and formative stage the proposition was most certainly not an acceptable issue from the banker's point of view.

Anti-Trust Laws and Business

Would Fewer Legal Restrictions Help to End Industrial Depression?

Editor, Readers' Forum:

The numerous "causes" of depression that I have heard cited seem to boil down to the essential fact that we have produced far more goods than could be sold and have a productive capacity well above present or immediately prospective purchasing power. Does not this situation raise a very serious question as to the relative advantages and disadvantages of a system of severe competition in business as compared with possible co-operative business planning on a national basis? At one time there was a great fear of monopolies in this country. Although "trust" agitation has lessened, we still have and enforce strict anti-trust legislation. This, to cite one example, has proved an obstacle to the oil industry in seeking to curb overproduction. Is it not possible that unrestrained competition is as much of a menace to the public welfare as it would be to give business a free hand? Would not some relaxation of the anti-trust laws speed business recovery? What is the prospect of action being taken in the next Congress?

Yours truly,

U. Y. G.

For several decades there has seldom been a time when the highly controversial question of anti-trust legislation has not been a subject of more or less active concern to business men. Some idea of its magnitude and complications may be had from the fact that hundreds of books have been devoted to the problem. Interest in it has become especially keen in recent years because of the great growth of trade association activities and has been particularly intensified by more than eighteen months of severe economic depression, the factor of curtailed profits naturally turning the thoughts of business men to co-operative paths which possibly can lead them out of their troubles. The number of important trade associations in this country is estimated at more than 2,000. They have a national association. Many of their admittedly legitimate activities have been definitely fostered by the Department of Commerce, both under Mr. Hoover's terms as secretary and since.

In experience, however, the border line between legitimate activities of such associations and activities which violate the anti-trust laws by price-fixing agreements or other agreements which restrain trade has often proved narrow. The result has been that while the Department of Commerce has broadly endorsed the trade association movement, the Department of Justice and the Federal Trade Commission have seen fit to undertake active prosecution of many alleged violations of the law. Under the present administration, indeed, anti-trust prosecutions have been approximately as numerous as in the "trust-busting" era of President Roosevelt. The most common complaint of business men who criticize the existing system is that they do not know where they stand. The Department of Justice, although at one time willing to venture informal advice, will not give its approval in advance to a proposal whose legality is subject to doubt. It is contended by some that such advance approval of a general project might easily be twisted into an excuse for specific law violations and that in practice the ultimate purpose of most trade associations is by one means or another to control production and price.

Effect on Oil Industry

In the specific case of the problem of the oil industry, it is true that the advantage of some form of national production control by the industry was approved in principle by the Federal Conservation Board. Yet it was found that the proposal would almost certainly lead to prosecution by the Department of Justice and accordingly it was abandoned. Whether in the long run production could best be regulated by agreement or by the natural play of the forces of supply and demand is debatable, as is the question of which method is ultimately most in the public interest. In considering the claim that relaxation of the anti-trust laws would perhaps speed business recovery, it is worth noting that business men in certain foreign countries, notably Germany and England, face no such severe legal restrictions. Yet their freedom to undertake co-operative action of the kind prohibited here has certainly made out no very strong case for the ability of unhampered business to meet conditions of depression. Whatever the causes, depression in these countries is more severe even than in the United States.

It is also worth noting that where price-fixing schemes have been tried they have almost invariably been doomed to failure, usually aggravating the problem they were designed to solve. In this connection efforts to control coffee, rubber, tin, copper, wheat and other commodities may be cited. This experience has led the majority of economists to distrust all such proposals but the urge of business men to try such experiments apparently has not appreciably lessened.

Law Revision Doubtful

For years every session of Congress has witnessed the introduction of bills aimed at relaxation of the anti-trust laws or remedial changes in the methods of administration. Most of these have died in committee hearings, if they received even that much attention. Plans are already being laid to reopen the question when Congress meets next December. Exhaustive study of the problem has been made by the National Civic Federation, the National Industrial Conference Board, the National Association of Manufacturers and the Committee on Commerce of the American Bar Association. One of the proposed changes is to modify the basic Sherman Act in a manner which will permit more reasonable interpretation of the terms "restraint" of trade. Another is to have the Federal Trade Commission pass in advance upon proposals which may be in doubt as to legality, approval under such circumstances to amount to immunity from subsequent prosecution. It need hardly be said that any movement toward relaxation of the existing laws will meet with considerable opposition. In a Senate in which insurgent members hold the balance of political power, the prospect that the proposed changes thus far discussed will receive favorable action appears slim.

It is undoubtedly true that public hostility toward Big Business has been somewhat modified, due partly to the economies passed along to the consumer. This less critical attitude, however, certainly is not a blanket endorsement of price-fixing.

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1. Be brief.
2. Confine your requests to *three securities only.*
3. Write name and address plainly.

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KROGER GROCERY & BAKING CO.

Is Kroger common a "buy" under 30? I have in mind purchasing 300 shares. What is your opinion of the outlook for this company? Is its retrenchment policy nearing completion?—T. F. B., Tidioute, Pa.

Kroger Grocery & Baking Co. is the second largest grocery chain in the country, operating 5,165 grocery stores and markets in 16 states in the Middle West. Although complete co-ordination of units has not as yet been accomplished, the management is exerting every effort toward this end, and more favorable operating results no doubt will be reflected in future earnings reports. About one-half of Kroger's units operate as combination food markets, handling meats and produce, which innovation is rapidly progressing. Early in the current year, meat and grocery departments were established in several stores of Sears, Roebuck & Co., the successful operations of which have prompted an extension of this plan to other stores of the company. Reflecting a smaller number of stores in operation last year, as compared with the preceding year, and downward trend of prices for its products, net profits after expenses, taxes and depreciation for the 12 months ended January 3, 1931, amounted to $2,168,247 or $1.15 a share on the 1,813,486 no par shares of common stock outstanding at the end of the period, as compared with $5,919,096 or $3.37 a share on a smaller capitalization for the preceding year. The company enjoyed a satisfactory financial position at the close of the last fiscal year, current assets amounting to 3.3 times current liabilities. Although the common shares must be regarded as speculative in character, they offer a degree of attraction for holding over a period of a year to 18 months.

INTERNATIONAL TELEPHONE & TELEGRAPH CORP.

How do you rate International Telephone & Telegraph as a long term speculation under 30? Is the $2 dividend reasonably secure? I plan to buy 150 shares on an outright basis.—K. S. F., Muncie, Ind.

International Telephone & Telegraph Co. came into existence in 1920 as a holding and management company, with properties consisting solely of the Cuban Telephone Co. and the Porto Rico Telephone Co. As a result of an intensive and aggressive expansion program carried on during the past decade, the company now ranks as the largest enterprise in the international communication field of the world. In addition to the two countries mentioned above, the system now serves Spain, Argentina, Brazil, Chile, Uruguay, Peru, Turkey, Mexico, the International settlement in Shanghai, China, and Rumania. In reflection of world-wide economic depression and political upheavals in certain countries served by the company, progress of International Telephone during the last year and a quarter has been somewhat retarded. However, the strategic position of International augurs well for the future, since possibilities for growth in territories now served are tremendous. Preliminary consolidated income report for the twelve months ended December 31, 1930, revealed net earnings of $2.07 a share on 6,642,508 common shares, as compared with $3.03 a share on a smaller capitalization in the preceding year. While we do not anticipate an early improvement in earnings, the common shares merit consideration as a long term speculative medium. Current prices indicate dividend uncertainty; but moderate commitments are justified where one is prepared to exercise patience and disregard intermediate developments.

PULLMAN, INC.

Does the net loss reported on Pullman common for February forecast the passing of the $4 dividend? I have 200 shares at 82. Shall I hold or sell with a view to putting my money into another security with better prospects?—J. L. L., Wichita, Kans.

In addition to being a prominent manufacturer of railway equipment, Pullman, Inc., enjoys a virtual monopoly in the operation of passenger cars providing de luxe traveling, sleeping and dining services. Last year transportation revenues registered a sharp drop, in reflection of curtailed business and tourist travel, but manufacturing operations expanded sufficiently to allow the company to show a favorable consolidated earnings report, in comparison with the preceding year. Net

(Please turn to page 56)

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

Spring Upturn in Business Now Failing in Several Lines

BUILDING

Gains Barely Seasonal

The Bureau of Labor Statistics reports that building permits issued in March gained some 51% over February according to data received from 347 cities having a population more than 25,000. This gain on a percentage basis is almost exactly the same as that shown for the same period of 1930. It must be remembered, however, that permits for March of the present year are between 11% and 12% under those of March, 1930, and that if consideration be taken of the lower base at the present time the gain month to month ought to be greater than that registered last year if an actual more than seasonal improvement is

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COMMODITIES*

(See footnote for Grades and Units of Measure)

	1931 High	1931 Low	Last*
Steel (1)	$0.02⅜	$0.02¼	$0.02¼
Steel (2)	0.01¾	0.01⅝	0.01¾
Pig Iron (3)	17.00	16.50	17.00
Copper (4)	0.10½	0.09½	0.09¾
Lead (5)	0.05⅛	0.04½	0.04½
Petroleum (6) ..	0.81	0.51	0.51
Coal (7)	1.60	1.50	1.55
Cotton (8)	0.11⅛	0.09⅞	0.10¼
Wheat (9)	0.75	0.68½	0.75
Corn (10)	0.68⅛	0.57⅛	0.60¼
Hogs (11)	20.00	13.00	17.00
Steers (12)	17.00	12.00	14.00
Coffee (13)	0.09¾	0.08¼	0.08½
Rubber (14)	0.08⅝	0.06½	0.06½
Wool (15)	0.72	0.64	0.66
Sugar (16)	0.03½	0.03¼	0.03¼
Paper (17)	62.00	62.00	62.00
Lumber (18) ...	15.74	14.54	15.50

*April 20, 1931.

(1) Sheets, Pittsburgh, cents per lb. (2) Bars, Pittsburgh, cents per lb. (3) Basic Valley, $ per ton. (4) Electrolytic, cents per lb. (5) Pig (N. Y.) c. per lb. (6) Kan., Okla., 32-32.9 deg. $ per bbl. (7) Pitts., steam mine run, $ per ton. (8) Middling (Galv.) cents per lb. (9) No. 2, Hard, Winter (Kan. City) $ per bu. (10) No. 3, Yellow (Chic.), $ per bu. (11) Fresh loins, 10-12 lb. (N. Y.) $ per 100 lb. (12) 550-700 lb. (N. Y.) $ per 100 lb. (13) Santos, No. 4 (N. Y.) cents per lb. (14) Smoked Sheets (N. Y.), cents per lb. (15) Fine staple, clean (Boston), cents per lb. (16) Cuban raw 96 deg. deliv. (N. Y.), cents per lb. (17) News Rolls (N. Y.), $ per ton. (18) Yellow pine boards, f. o. b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Ingot production throughout the country continues to decline. Currently, operations are estimated at about 48½% of capacity against slightly over 50% last week. This is now the fourth week of decline following the steady albeit disappointing rise from the first of the year. A somewhat precarious price situation has in no way been improved by the falling activity and the general outlook is now more beclouded than in some time.

PETROLEUM—For the week ended April 18 gasoline stocks registered a decline in comparison with the previous period for the first time since January 10. Although this is technically an improvement it must be remembered that we are now entering the time of year when gasoline stocks *should* decline, that the country's refineries are currently operating at less than 70% of theoretical capacity and that but little effort would be required to flood the market to an even greater extent than is being done at the present time.

PAPER—The over-rapid increase in productive capacity undertaken by the newsprint industry in recent years is now being dearly paid for. Leading producers have cut the price $5 a ton effective from May 1 and allowed a reduction of $3 a ton for the first four months retroactively. Although the new price is for the most part merely formal acknowledgment of more or less general undercutting of listed quotations it nevertheless must be considered a further sign of the exceedingly weak position into which the industry has worked itself.

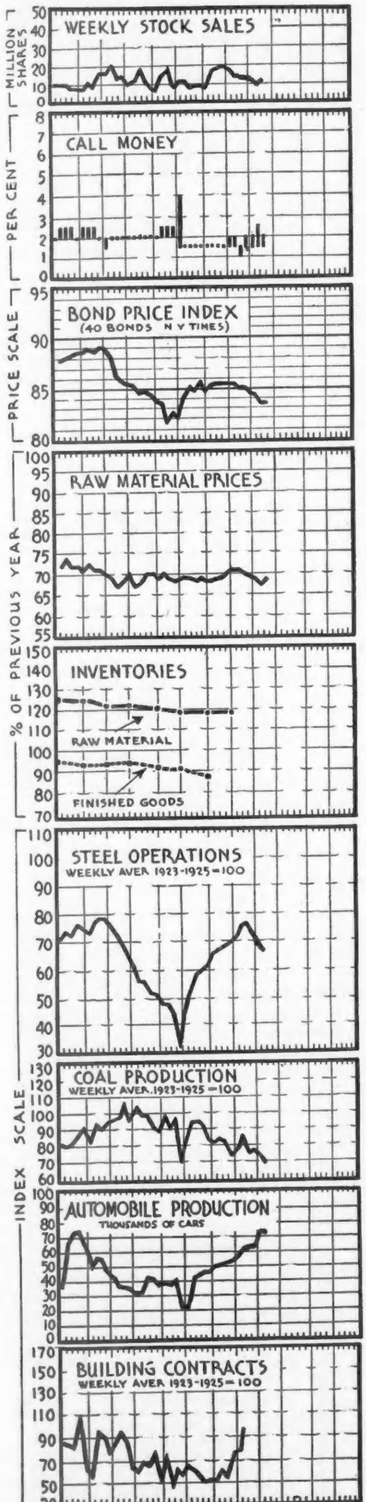
AUTOMOBILES—March automobile registrations in 32 states increased about 43% compared with the previous month, being still, however, between 30% and 40% under those of last year in the same territory. Although the outlook for the automobile industry may be fundamentally somewhat better than the figures indicate, it is very doubtful whether it can come up to the exceedingly bright picture painted by the executives in the field.

ZINC—A new process is reported to have been discovered by the Bureau of Mines which it is said holds out prospects for revolutionizing the zinc industry—the third largest non-ferrous metal industry in the country. Although full details of the new process have not yet been published it is said to reduce costs materially in almost every direction and from the producers' point of view will do much to offset the recent disastrous price reductions.

CARBON BLACK—The Bureau of Mines reports that the production of carbon black during 1930 gained 3.7% over that of 1929. As output in 1929 was some 47% greater than 1928, it is hardly surprising that immense stocks have been built up and that prices have become demoralized. New processes which vastly increase the yield per 1,000 cubic feet of natural gas burned are not unlikely to result in the present situation being continued indefinitely.

The Magazine of Wall Street's Indicators

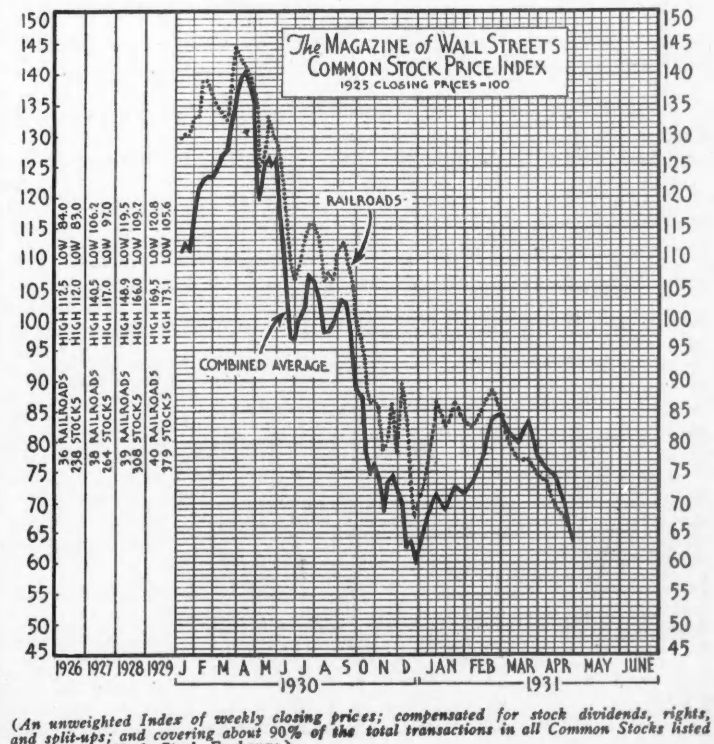
Business Indexes



Common Stock Price Index

Number of Issues in Group	Group	1931 Indexes High	1931 Indexes Low	Recent Indexes Apr. 18	Recent Indexes Apr. 25	1930 Indexes Close	1930 Indexes High	1930 Indexes Low
405	COMBINED AVERAGE	84.4	62.2	69.5	63.6	62.2	140.7	59.9
5	Agricultural Implements	142.4	80.7	92.1*	80.7*	112.0	405.5	105.7
8	Amusement	121.2	79.9	96.2	79.9*	88.5	272.0	85.6
22	Automobile Accessories	76.9	47.8	60.5	54.7	47.8	118.1	46.2
20	Automobiles	37.0	25.5	29.7	26.5	25.5	78.4	24.5
4	Aviation (1927 Cl.—100)	74.2	39.9	62.1	56.6	39.9	153.1	35.4
3	Baking (1926 Cl.—100)	38.4	23.7	27.4	23.7*	23.8	74.2	23.8
2	Biscuit	212.8	185.5	194.3	188.6	185.5	248.1	179.6
5	Business Machines	162.2	119.4	123.9	119.4*	128.6	262.7	123.5
2	Cans	188.5	157.0	178.6	173.1	157.0	226.0	151.8
8	Chemicals & Dyes	157.8	110.1	119.0*	110.1*	126.0	248.5	124.3
3	Coal	71.8	35.4	54.3	54.2	35.4	107.9	34.4
22	Construction & Bldg. Mat.....	73.7	47.4	54.4	47.4	48.8	121.8	46.2
12	Copper	92.4	67.0	71.6	67.0	70.4	211.7	67.0
2	Dairy Products	98.0	83.0	89.9	87.3	83.0	125.1	80.7
9	Department Stores	30.2	21.5	25.1	24.6	21.5	51.6	20.4
8	Drugs & Toilet Articles.......	120.4	83.0	100.3	97.4	83.0	142.0	79.4
8	Electric Apparatus	149.3	108.5	117.3	108.5*	115.8	239.1	114.9
4	Fertilizers	21.5	13.4	14.8	13.4*	14.8	54.4	13.7
2	Finance Companies	91.3	69.4	72.2	69.4	77.6	148.4	63.5
7	Food Brands	80.1	64.4	74.8	73.6	64.4	93.5	62.1
4	Food Stores	83.0	50.3	73.3	73.0	50.3	124.6	50.0
4	Furniture & Floor Covering....	51.7	31.6	40.5	38.3	31.6	119.2	30.1
7	Household Equipment	45.5	29.9	41.4	39.7	29.9	92.5	28.6
10	Investment Trusts	89.5	61.0	70.0	62.6	61.0	184.9	58.9
3	Mail Order	96.3	62.3	72.1	68.4	52.3	170.0	51.5
39	Petroleum & Natural Gas.....	69.2	46.0	53.4	46.0*	52.4	142.5	50.9
8	Phono. & Radio (1927—100)..	68.8	37.2	45.5	40.8	37.2	175.2	36.8
20	Public Utilities	196.8	150.4	165.9	154.6	150.4	305.0	141.1
10	Railroad Equipment	73.1	52.4	55.8	52.4*	57.8	115.4	55.5
33	Railroads	88.4	64.5	67.3	64.5*	60.8	144.5	67.1
3	Restaurants	100.7	79.9	85.4	79.9	81.9	153.1	78.9
5	Shipping	38.0	24.6	26.2*	24.6*	28.9	88.8	28.9
2	Soft Drinks (1926—100)	180.0	152.4	160.9	162.6	160.4	246.5	150.8
13	Steel & Iron	92.3	62.1	70.9	62.1	63.5	146.5	61.4
6	Sugar	18.9	12.5	15.3	13.4	12.5	45.1	12.2
2	Sulphur	218.0	166.7	180.4	166.7	170.3	268.7	163.0
3	Telephone & Telegraph	132.4	97.4	113.1	106.3	97.4	117.2	92.6
6	Textiles	46.0	23.7	33.9	33.7	23.7	70.5	21.1
7	Tire & Rubber	15.8	10.8	12.3	10.8*	10.9	39.0	10.9
9	Tobacco	78.6	59.3	77.1	74.2	59.3	107.3	57.5
5	Traction	86.1	67.0	77.4	68.1	67.0	103.5	63.2
2	Variety Stores	75.2	68.5	71.0	70.9	68.5	88.7	66.5

* New LOW record since 1928.

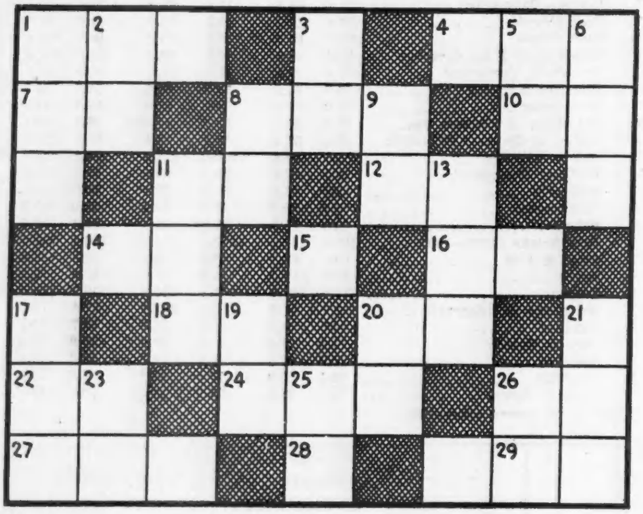


(An unweighted Index of weekly closing prices; compensated for stock dividends, rights, and split-ups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

How Well Do You Know Your Ticker Symbols?

Solve The Magazine of Wall Street's Cross Word Puzzle and Find Out

The puzzle outlined below is made up entirely of the ticker symbols of the companies given. All stocks are listed on the New York Stock Exchange. Solving this and subsequent puzzles will prove an interesting demonstration of your ability to read the tape and has the practical advantage of widening your knowledge of the most frequently used ticker abbreviations. The correct solution and the next puzzle will appear in the following issue.



ACROSS

1 Lambert Co.
3 Standard Oil of N. J.
4 Interlake Iron Corp.
7 Minneapolis & St. Louis R. R.
8 Butterick Co.
10 Gold Dust Corp.
11 Link Belt Co.
12 Kresge & Co.
14 St. Joseph Lead Co.
15 Chrysler Co.
16 Liggett & Myers Tobacco Co.
18 Chicago Rock Island & Pac. R. R.
20 Kennecott Copper Corp.
22 Electric Power & Light
24 Lago Oil & Trans. Co.
26 Lee Tire & Rubber Co.
27 Hollander & Son.
28 American Tel. & Tel.
29 Liquid Carbonic Corp.

DOWN

1 Ludlum Steel Co.
2 General Asphalt Co.
3 Central R. R. of N. J.
5 Laclede Gas Light Co.
6 Kaufman Dept. Stores
8 Burns Brothers
9 Kelly Springfield Tire Co.
11 Lorillard Co.
13 Glidden Co.
17 Lehigh Valley Coal Co.
19 Illinois Central R. R.
20 Coca Cola Co.
21 Kreuger & Toll Co.
23 Louisiana Oil Refining Co.
25 General American Tank Car Co.
26 Long Bell Lumber Co.

Solution to Puzzle in Last Issue

Securities Analyzed, Rated and Mentioned in This Issue

Industrials

Bonds

Petroleum

Mining

Railroads

Public Utilities

Important Corporation Meetings

Company	Specification	Date of Meeting
Alleghany Corp.	Annual	5-6
Allis-Chalmers Mfg. Co.	Annual	5-7
Anaconda Copper Co.	Annual	5-20
Atlantic Refining Co.	Annual	5-5
California Packing Corp.	Annual	5-19
Chesapeake Corp.	Annual	5-6
Colorado & Southern Ry. Co	Annual	5-21
Fox Film Corp.	Annual	5-1
Great Northern Ry. Co	Annual	5-14
International Harvester Co	Annual	5-14
Kansas City Southern Ry. Co	Annual	5-12
Mid-Continent Petroleum Corp	Annual	5-6
N. Y., Chic. & St. Louis R. R. Co	Annual	5-6
Radio Corp. of America	Annual	5-5
Texas & Pacific Ry. Co.	Annual	5-13
Wabash Ry. Co.	Annual	5-18
Woolworth (F. W.) Co	Annual	5-20

New York Stock Exchange

RAILS

	1929		1930		1931		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	4/22/31	Share
Atchison	298⅝	195⅛	242½	168	203⅜	166	166	10
Do Pfd.	104⅞	99	108¾	100	108¼	102½	107½	5
Atlantic Coast Line	209½	161	175½	95¼	120	89	89	10
B								
Baltimore & Ohio	145⅛	105	122⅜	55⅜	87⅞	63¼	63¼	5
Bangor & Aroostook	90⅜	55	84½	50⅛	66¾	56½	56½	3½
Brooklyn-Manhattan Transit	81⅞	40	78⅜	55⅛	69⅜	58¾	62¼	4
Do Pfd.	92⅝	76½	98¾	83	94¼	85⅜	89½	6
C								
Canadian Pacific	265⅞	185	52¼	35¼	45⅜	35	35½	2½
Chesapeake & Ohio	279¾	160	51⅜	32⅜	46½	38⅜	38⅜	2½
C. M. & St. Paul & Pacific	44⅞	16	26⅜	4¼	8⅞	5¼	5¼	..
Do Pfd.	68⅝	28½	46¼	7¾	15⅜	8⅜	8½	..
Chicago & Northwestern	108½	75	89⅞	28⅛	45⅛	33	33¼	4
Chicago, Rock Is. & Pacific	143½	101	125⅛	45¼	65½	47¼	48¾	5
D								
Delaware & Hudson	226	141½	181	130⅛	157¼	131⅛	132	9
Delaware, Lack. & Western	169¾	120¼	153	69⅛	102	68	68	4
E								
Erie R. R.	93½	41⅛	63¾	22⅛	39¾	24	24½	..
Do 1st Pfd.	66¼	55⅛	67⅜	27	45½	30	32	4
G								
Great Northern Pfd.	128¼	85¼	102	51	69¾	57½	58½	5
H								
Hudson & Manhattan	58⅜	34⅛	53⅜	34⅞	44½	37	†36¼	3½
I								
Illinois Central	153⅛	116	136¾	65¾	89	55⅛	57	7
Interborough Rapid Transit	58⅜	15	39½	20⅜	34	24	25⅜	..
K								
Kansas City Southern	108⅞	60	85⅜	34	45	34	†32	5
Do Pfd.	70⅛	63	70	53	64	53	†52⅛	4
L								
Lehigh Valley	102¼	65	84⅞	40	61	52	53	2½
Louisville & Nashville	154¾	110	138½	84	111	81¾	82	7
M								
Mo., Kansas & Texas	65¾	27⅛	66⅝	14⅞	26¾	17	17	..
Do Pfd.	107½	93⅞	108¾	60	85	60¼	60⅝	7
Missouri Pacific	101⅜	46	98½	20⅜	42¾	25¼	25¾	..
Do Pfd.	149	105	145½	79	107	71½	71½	5
N								
New York Central	256½	160	192¾	105⅛	132¼	99¼	99½	6
N. Y., Chic. & St. Louis	192⅜	110	144	73	88	57	†56	6
N. Y., N. H. & Hartford	132½	80⅞	128⅛	67⅝	94⅞	71⅛	71⅛	6
Norfolk & Western	290	191	265	181⅛	217	187¼	187¾	12
Northern Pacific	118⅞	75⅛	97	42⅜	60⅞	45⅛	45½	5
P								
Pennsylvania	110	72⅛	86⅝	53	64	54½	54½	4
Pittsburgh & W. Va.	148¾	90	121¾	48⅛	86	58½	58½	6
R								
Reading	147¾	101½	141⅛	73	97½	68¼	69½	4
Do 1st Pfd.	50	41½	50½	44⅛	46	45	†45	2
S								
St. Louis-San Fran.	133¾	101	118⅞	39⅜	62¾	21½	21¾	..
St. Louis-Southwestern	115¾	50	76¾	18	33½	19⅞	19⅞	..
Seaboard Air Lines	21¾	9⅛	12½	½	1⅜	½	⅝	..
Do Pfd.	41⅜	16¼	28	½	2⅛	1	†1	..
Southern Pacific	157⅛	105	127	88	109½	89½	89¼	6
Southern Railway	162⅛	109	136¾	46½	65⅞	36⅛	37	8
Do Pfd.	100	93	101	76	83	55	55	5
U								
Union Pacific	297⅝	200	242¾	166⅛	205⅛	161	161	10
Do Pfd.	85½	80	88⅜	82¼	86¾	83⅝	84½	4
W								
Wabash	81⅜	40	67⅜	11¼	76	14½	†12¾	..
Do Pfd. A	104⅞	82	89¼	39	51	27½	27½	..
Western Maryland	54	10	36	10	19⅝	12	12	..
Western Pacific	41⅞	15	30⅛	7½	14¾	10	†9	..
Do Pfd.	67¾	37½	53½	23	31⅝	22	22¼	..

INDUSTRIALS AND MISCELLANEOUS

	1929		1930		1931		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	4/22/31	Share
Adams Express	34	20	37⅝	14¼	23⅛	16⅛	17¼	1.60
Air Reductions, Inc.	223⅜	77	156⅝	87⅛	109⅜	83½	83¾	4½
Allegheny Corp.	56½	17	35¼	5¾	12¾	7⅛	7⅛	..
Allied Chemical & Dye	354¾	197	343	170¼	183⅜	130¼	131⅛	6
Allis Chalmers Mfg.	75⅛	35⅛	68	31¼	48⅜	30	30⅛	2
Amer. Brake Shoe & Fdy	62	40½	54⅝	30	33	29⅞	30¼	2.40
American Can	184½	86	156½	104⅝	129¾	106¼	115¼	5
Amer. Car & Fdy	106½	75	82⅛	24⅛	38¾	24½	24½	3
Amer. & Foreign Power	199½	50	101⅜	25	51⅜	26⅜	33⅜	..
American Ice	54	29	41⅞	24⅛	31⅝	23⅜	27	3
Amer. International Corp	96¾	29⅛	55⅜	16	26	16⅛	16¼	..
Amer. Mchy. & Fdry	279¾	142	45	29¾	43⅜	31	34⅞	1.40
Amer. Power & Light	175¾	64¼	119⅜	36⅛	64⅞	44⅛	44⅜	1
Amer. Radiator & S. S.	55⅜	28	39¾	15	21⅛	15⅛	15½	1
Amer. Rolling Mill	144⅝	60	100⅞	28	37⅜	26⅛	28⅜	..
Amer. Smelting & Refining	130¼	62	79½	37½	58⅛	40½	42	4
Amer. Steel Foundries	79⅞	35¾	52¼	23½	31⅛	18⅜	19½	3
American Stores	514	120	55¼	36½	48¼	37	43⅝	2½
Amer. Sugar Refining	94¾	56	69⅞	39¼	60	42¾	51	5
Amer. Tel. & Tel.	310½	193¼	274¼	170⅜	201⅜	176¼	184⅞	9
Amer. Tobacco Com.	232½	160	127	98½	128¾	104	125¾	6
Amer. Type Founders	181	115	141¾	95	105	90	†80	8
Amer. Water Works & Elec.	199	50	124⅞	47⅝	80⅜	53⅜	57⅞	3

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1929 High	1929 Low	1930 High	1930 Low	1931 High	1931 Low	Last Sale 4/22/31	Div'd $ Per Share
A								
Anaconda Copper Mining	140	67¼	81½	25	43¼	29⅝	29⅝	1½
Arnold-Constable Corp.	40⅞	6¼	13¾	3⅛	7½	3⅝	6¼	..
Assoc. Dry Goods	70¾	25	50⅛	19	29⅝	21⅞	22½	2½
Atlantic, Gulf & W. I. S.S. Line	86⅞	32⅛	80⅜	33	39	23	23¼	..
Atlantic Refining	77⅞	30	51⅜	16⅝	23⅝	15¾	15¾	1
Auburn Auto	514	120	263¾	60⅝	295½	101½	192½	4
B								
Baldwin Loco. Works	66⅝	15	38	19⅜	27⅞	18¼	18½	1¾
Barnsdall Corp. Cl. A	49⅛	20	34	8⅝	14⅛	9⅝	9⅝	1
Beech Nut Packing	101	45	70⅛	46¾	62	50	†57	3
Bendix Aviation	104⅜	25	57⅜	14¼	25⅛	16⅞	18⅛	1
Best & Co.	60⅞	25	56¼	30⅝	46⅛	32¼	38⅜	2
Bethlehem Steel Corp	140¾	78¼	110¼	47⅜	70⅝	45⅝	46½	6
Bohn Aluminum	136¾	37	69	15¾	40⅛	20⅜	33⅝	1½
Borden Company	100½	53	90⅜	60⅛	76½	67½	69⅜	3
Borg-Warner	86⅞	26	50½	15	30⅜	20⅝	21¾	1
Briggs Mfg.	63⅛	8½	25⅜	12⅛	22⅜	16¼	16¼	1¾
Burroughs Adding Mach	96⅞	29	51⅞	18⅜	29¼	21½	24½	1½
Byers & Co. (A. M.)	192⅞	50	112⅜	33⅛	60⅜	37⅝	39⅜	..
C								
California Packing	84⅞	63½	77½	41¼	53	32	32	2
Calumet & Arizona Mining	136¾	73½	89⅞	28⅝	43⅜	36¾	38½	..
Calumet & Hecla	61⅞	25	33⅜	7¾	11⅜	8	8⅛	..
Canada Dry Ginger Ale	98¾	45	75⅜	30⅛	40¼	29⅞	35½	3
Case, J. I.	467	130	362¾	83½	181½	81¾	84⅛	6
Caterpillar Tractor	61	50¼	79¾	22	52⅛	26⅝	31⅞	4
Cerro de Pasco Copper	120	52¼	65⅜	21	30⅛	20	20½	1½
Chesapeake Corp.	92	42⅛	82½	32¼	54⅛	40	40¾	3
Childs Co.	75⅞	44¼	67⅝	22⅞	33¾	23¼	25	2.40
Chrysler Corp.	135	26	43	14⅛	25¾	15⅞	18⅜	1
Coca-Cola Co.	154½	101	191⅜	133¼	170	142⅛	146¾	7¼
Colgate-Palmolive-Peet	90	40	64⅞	44	50¼	46¼	47	2¼
Colorado Fuel & Iron	78½	27¾	77	18¾	32¼	16¾	16¾	1
Columbian Carbon	344	105	199	65⅛	111⅝	73½	76¼	5
Colum. Gas & Elec.	140	52	87	30⅝	45⅝	32	32	2
Commercial Credit	62⅝	18	40¾	15⅛	23¼	17	17	2
Commercial Solvent	63	20⅛	38	14	21½	14¼	14⅜	1
Commonwealth Southern	24¾	10	20½	7⅛	12	8	8⅜	.60
Consolidated Gas of N. Y.	183¼	80⅛	136⅞	78¼	109⅝	82⅛	93	4
Continental Baking Cl. A	90	25¼	52½	16¾	30	15⅛	15¼	..
Continental Can, Inc.	92	40½	71⅝	43½	62¾	47	57	2½
Continental Oil	47⅛	48	30½	7¾	12	7½	7¾	..
Corn Products Refining	126⅝	70	111⅜	65	86⅝	69⅜	69⅛	3½
Crucible Steel of Amer	121¾	71	93⅝	50⅛	63	45	46⅞	..
Cudahy Packing	67⅞	36	48	38⅛	48⅞	41	44	4
Curtis Publishing	132	100	126⅛	85	100	87	89	7
Curtiss Wright, Common	30⅛	6⅜	14⅞	1¾	5⅞	2⅝	3½	..
Curtiss Wright, A	37⅞	13¼	19¾	3	8⅛	3⅞	5¼	..
D								
Davison Chemical	69⅛	21¼	43⅜	10	23	13⅛	14⅛	..
Drug, Inc.	126⅛	69	87⅜	57⅝	78¾	61⅛	71⅞	4
Du Pont de Nemours	231	80	145¼	80½	107	83¼	84⅝	4
E								
Eastman Kodak Co.	264¾	150	255¼	142⅛	185¾	143⅜	158¾	8
Eaton Axle & Spring	76¾	18	37¼	11⅝	21⅞	13⅝	13¾	1.60
Electric Auto Lite	174	50	114⅞	33	74⅜	48⅛	48¾	6
Elec. Power & Light	86⅝	29⅛	103½	34⅜	60¾	38¼	45	1
Elec. Storage Battery	104½	55	79¼	47½	66	50⅞	55¼	5
Endicott-Johnson Corp.	83⅜	49¼	59⅝	36⅞	41	30	†32¼	5
F								
Firestone Tire & Rubber	37	24½	33⅛	15⅛	19¾	15¾	†15¼	1
First National Stores	90	44½	61⅜	38⅝	55	41	51¼	2½
Foster Wheeler	95	33	104½	37½	64½	41½	43½	2
Fox Film Cl. A	105⅝	19⅛	57⅜	16⅛	38⅜	21½	22	4
Freeport Texas Co.	54⅞	23¾	55½	24½	43¼	28½	30¾	3
G								
General Amer. Tank Car	123½	75	111⅞	58⅛	73⅛	57⅜	62	4
General Asphalt	94¾	42¼	71⅛	22⅜	47	21⅛	21⅝	3
General Electric	403	168⅛	95⅜	41⅛	54⅜	41⅜	42½	1.60
General Foods	81¾	35	61¼	44⅜	56	47¾	52½	3
General Mills	89⅛	50	59⅛	40⅛	50	43¼	†43¼	3
General Motors Corp.	91¾	33½	54¼	31⅛	48	35¼	39⅞	3
General Railway Signal	126½	70	106⅞	56	84⅛	63¾	63¾	5
General Refractories	88½	50	90	39	57⅜	40	42⅞	4
Gillette Safety Razor	143	80	106⅛	18	34⅞	21⅛	29⅞	..
Gold Dust Corp.	82	31½	47⅞	29	42⅛	31¼	36½	2½
Goodrich Co. (B. F.)	105¾	38¼	58½	15¼	20⅞	11	11½	..
Goodyear Tire & Rubber	154½	60	96⅞	35⅛	52⅜	38⅜	40¾	3
Granby Consol. Min., Smelt. & Pr.	102⅞	46¼	59⅞	12	22⅝	15⅛	15¾	2
Grand Union	32⅞	9⅛	20⅝	10	18⅞	10⅝	14½	..
Great Western Sugar	44	28	34½	7	11⅞	7¾	10¼	..
Gulf States Steel	79	42	80	15	37½	18⅝	18¾	..
H								
Hershey Chocolate	143⅞	45	109	70	108¾	87	95½	5
Houston Oil of Texas	109	26	116⅞	29¼	68½	35¼	43½	..
Hudson Motor Car	92⅛	38	62⅞	18	26	16¼	16⅜	1
Hupp Motor Car	82	18	26⅝	7½	13⅛	7¾	7¾	..
I								
Inland Steel	113	71	98	58	71	57	57	4
Inter. Business Machines	225	109	197⅛	131	179¾	145⅛	158¾	6
Inter. Cement	102¾	48	75⅜	49½	62½	40¼	40¼	4
Inter. Harvester	142	65	115¾	45¼	60½	47⅝	48	2½
Int. Match Pfd.	102½	47	92	52¼	73¼	55	61⅜	4
Inter. Nickel	72¾	25	44⅜	12¾	20⅛	13⅞	15½	.60
Inter. Paper & Power "A"	112	57	31⅛	5⅛	10⅛	6⅞	†6½	..
Inter. Tel. & Tel.	149¼	53	77⅜	17½	38⅜	18⅜	27¼	2
J								
Jewel Tea	84½	45	66½	37	57½	39¼	45	4
Johns-Manville	242¾	90	148⅜	48¾	80⅜	52½	55⅜	3
K								
Kennecott Copper	104⅞	49⅜	62⅜	20⅛	31⅛	22⅛	23⅛	2
Kresge Co. (S. S.)	57½	28	36¾	26⅛	27⅞	25	26¼	1.60
Kreuger & Toll	46⅜	22¼	35¾	20⅜	27¾	20⅞	23⅞	1.60
Kroger Grocery & Baking	122⅛	38¼	48⅛	17⅛	26⅞	18	28⅝	1

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1929		1930		1931		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	4/22/31	Share
L								
Lambert Co.	157¼	80⅛	113	70¾	87⅞	77⅛	80	8
Lehn & Fink	68½	28	36	21	34¾	24	29¼	3
Liggett & Myers Tob. B	106	80¼	114⅜	78¼	91	82	82½	5
Liquid Carbonic	113⅞	40	81⅞	39	55⅛	34	34¼	3
Loew's, Inc.	84½	32	95¾	41¾	63½	43½	44⅝	3
Loose-Wiles Biscuit	88⅜	39⅛	70¼	40¼	54⅞	43¾	48⅞	2.80
Lorillard	31½	14¼	28⅛	8¾	20⅛	11⅜	18¾	..
M								
Mack Truck, Inc.	114¾	55½	88½	33⅝	43⅞	33⅝	33⅝	3
Macy (R. H.)	255½	110	159¼	81⅝	106¼	83	85⅛	3
Magma Copper	82½	85	52½	19¼	27⅜	19	19⅛	2
Marine Midland	..	..	32½	17¾	24¼	19⅛	19⅛	1.20
Mathieson Alkali	72⅜	29	51⅜	30⅛	31½	22¼	22¼	2
May Dept. Stores	108½	45½	61⅜	27¾	39	28⅝	32¾	2½
McKeesport Tin Plate	82	54	89½	61	103½	71½	88⅜	5
Mont. Ward & Co.	156⅞	42⅝	49⅞	15⅛	29¼	15¾	19½	..
N								
Nash Motor Co.	118⅞	40	58½	21¼	40⅞	27¼	31⅜	4
National Biscuit	236¾	140	93	68⅝	83¾	71⅛	71½	2.80
National Cash Register A	148¾	59	83½	27⅝	39⅜	27	27½	..
National Dairy Prod.	86½	36	62	35	50⅜	38¼	44	2.60
National Lead	310	129¼	189½	114	132	113¾	113¾	5
National Power & Light	71¾	23	58¾	30	44¼	31⅝	32⅝	1
North American Co.	186¾	66½	132⅞	57¼	90¼	62	68⅜	§10%
O								
Otis Elevator	55	22¼	80⅜	48¼	58⅛	44	44⅛	2½
Otis Steel	55	22¼	38⅞	9½	16⅜	9⅛	9⅛	..
P								
Pacific Gas & Electric	98¾	42	74⅛	40⅛	54⅞	45¼	48½	2
Pacific Lighting	146½	58⅛	107⅞	46	69½	50¼	57¼	3
Packard Motor Car	32½	13	23⅜	7¼	11⅞	7½	7¾	.60
Paramount Publix	75½	35	77¼	34¾	50¼	31⅞	32⅛	4
Penney (J. C.)	105¼	66	80	27⅝	39⅝	28⅛	35	2.40
Phillips Petroleum	47	24¼	44¾	11½	16⅝	8⅜	8⅜	..
Prairie Oil & Gas	65⅝	40½	54	11¼	20⅜	12⅜	13	2
Prairie Pipe Line	65	45	60	16⅝	26½	17⅞	21½	3
Procter & Gamble	98	43⅛	78⅞	52⅝	71¼	63	67	2.40
Public Service of N. J.	137¾	54	123¾	65	96½	72	80	3.40
Pullman, Inc.	99¼	73	89⅜	47	58⅛	40¼	41⅞	4
Pure Oil	30¾	20	27¼	7⅝	11⅞	7½	7¾	..
Purity Bakeries	148⅝	55	88⅞	36	55¼	34	34	4
R								
Radio Corp. of America	114¾	26	69⅜	11⅜	27⅛	12	17⅝	..
Radio-Keith-Orpheum	46⅞	12	50	14⅜	24⅛	15¾	19⅝	..
Remington-Rand	57¾	20⅜	46½	14⅛	19⅜	10⅛	10⅛	..
Republic Steel	146¼	62¼	79½	10⅛	25⅜	12	14¾	..
Reynolds (R. J.) Tob. Cl. B	66	39	58⅝	40	53	40⅜	51	3
Royal Dutch	64	43⅛	56½	36⅞	42⅝	30	30	1.34
S								
Safeway Stores	195¼	90⅛	122⅜	38¾	65¼	38⅝	50½	5
Sears, Roebuck & Co.	181	80	100⅝	43⅛	63¼	44⅞	49¾	2½
Shell Union Oil	31¾	19	25½	5¼	10¼	6⅛	6¼	..
Simmons Co.	188	59½	94⅞	11	23¾	14	14	..
Sinclair Consol. Oil Corp.	45	21	32	9¾	15⅞	10⅛	10¾	1
Skelly Oil Corp.	46½	28	42	10⅛	12⅞	5½	5⅝	..
So. Cal. Edison	93¼	45⅛	72	40⅛	54½	45⅜	45¾	2
Standard Brands	44¾	20	29¼	14⅛	20½	16¼	17⅜	1.20
Standard Gas & Elec. Co.	243¾	73½	129¼	53⅛	88⅜	58	68⅜	3½
Standard Oil of Calif.	81⅞	51½	75	42¼	51¾	40½	40½	2½
Standard Oil of N. J.	83	48	84⅞	43½	52½	37¾	37¾	2
Standard Oil of N. Y.	48⅛	31¾	40⅜	19¾	26	19¾	19¾	1.60
Stewart-Warner Speedometer	77	30	47	14¾	21⅞	14¼	14⅝	..
Stone & Webster	201½	64	113⅜	37½	54½	37¾	38¾	3
Studebaker Corp.	98	38¼	47¼	18⅛	26	20¼	20½	1.20
T								
Texas Corp.	71⅞	50	60½	28¼	36¼	24⅝	25¼	3
Texas Gulf Sulphur	85¼	42½	67⅜	40¼	55⅜	40¾	41	4
Tide Water Assoc. Oil	23½	10	17¾	5⅞	9	5⅛	5½	.60
Timken Roller Bearing	139⅜	58½	89¼	40⅛	59	43	46	3
U								
Underwood-Elliott-Fisher	181¾	82	138	49	75¾	51½	54⅛	5
Union Carbide & Carbon	140	59	106⅜	52½	72	55½	57⅛	2.60
United Aircraft & Trans.	162	31	99	18⅜	38⅞	22½	26⅞	..
United Corp.	75½	19	52	13⅞	31¼	16⅛	21⅜	.75
United Fruit	158½	99	105	46⅛	67¾	51¼	56⅝	4
United Gas Imp.	59⅝	22	49⅜	24¼	37⅛	27⅜	30	1.20
U. S. Industrial Alcohol	243⅝	95	139⅜	50½	77⅜	36	36	2
U. S. Pipe & Fdy.	55⅞	12	38¼	18½	37⅛	25¾	25¾	2
U. S. Realty	119½	50½	75½	25	36⅜	22	22	2
U. S. Rubber	65	15	35	11	20⅜	11¾	14¾	..
U. S. Smelting, Ref. & Mining	72⅞	29⅞	36½	17½	25⅝	18½	19	1
U. S. Steel Corp.	261¾	150	198¾	134⅜	152⅜	126¼	126½	7
V								
Vanadium Corp.	116½	37½	143¼	44⅜	76¾	41¼	42⅜	..
W								
Warner Brothers Pictures	64½	30	80¼	9¾	20⅜	9⅞	9⅞	..
Western Union Tel.	272¼	155	210¾	122⅛	150¾	115¼	116	8
Westinghouse Air Brake	67¾	26⅛	52	31¼	36⅛	29⅞	30½	2
Westinghouse Elec. & Mfg.	292⅝	100	201⅛	88⅛	107¾	74¾	75¼	5
White Motor	53½	27¼	43	21⅝	26¼	18¼	18¼	1
Woolworth Co. (F. W.)	103⅞	52¼	72⅜	51½	65¾	54⅜	60½	2.40
Worthington Pump & Mach.	137⅜	43	169	47	106⅞	59⅜	64⅛	..

† Bid price. § Payable in stock.

Answers to Inquiries

(Continued from page 47)

income for 1930 amounted to $16,943,081 equivalent to $4.37 a share, against net of $17,678,698 or $5.23 a share in 1929. Financial condition at the close of last year was excellent. It should be pointed out at this juncture that the increased earnings in the manufacturing division last year reflect acquisition of two equipment enterprises during the year and stimulated demand for new rolling stock by the railroads in response to the appeal made by President Hoover earlier in the year. Recent bulletins of the company indicate that car manufacture is inactive and that transportation operations are running at a loss. However, strong financial condition of the company would justify the maintenance of present dividend rate of $4 a share on the common stock, providing present period of depression is not too prolonged. Longer term prospects of the company are favorable, and we counsel against a sacrifice sale at this time.

GENERAL MILLS, INC.

Yielding over 7% at current levels, General Mills common appeals to me for semi-investment. Do you consider this stock as one that offers well-protected income with good profit possibilities over a moderate term?—F. R. D., Springfield, Mo.

General Mills, Inc., ranks as the largest flour milling company in the world, and has a daily capacity of 85,650 barrels of flour. The company owns 21 flour mills, and has storage facilities for more than 11,000,000 bushels of grain. The products of the company are nationally advertised, and in addition, products include poultry feed, cereals, and specialties. Profits of General Mills normally are not directly affected by fluctuations in the price of wheat or flour, as the company balances its tremendous wheat buying operations by a hedging process. Purchase and sale of wheat futures keep the entire inventory position of wheat. flour stocks and unfilled orders on an even basis. It has been estimated that earnings for the fiscal year which ends May 31 will be close to the $4.82 reported in the fiscal year which ended May 31, 1930. The annual dividend of $3 on the common stock seems to be well secured, and the company is in a very strong financial position. The unsettled grain situation likely will tend to retard sizeable price appreciation, however, over the near term, and consequently, we see no reason for haste in making commitments unless they are made with the intention of holding through periods of intermediate market fluctuations. However, gradual accumulation during reactionary periods would be favored.

SEARS, ROEBUCK & CO.

Will you please let me have your analysis of the prospects for Sears, Roebuck common during the next few months? My holdings consist of 100 shares at 89. What is your opinion of averaging around 50?—R. D. S., Beaumont, Texas.

In addition to occupying the leading position in the retail mail order field, Sears, Roebuck & Co., in recent years, has broadened its scope of business to include the operation of a chain of retail stores. During the past 18 months, expansion of the company's facilities has been retarded, efforts being concentrated on the more complete co-ordination of present units. Obviously, depressed conditions existing during 1930 found reflection in lower volume of business and profits for the company last year, but the decrease was larger in the mail order department, thus justifying the entrance of Sears, Roebuck in the retail chain store field. Net income for the 12 months ended December 31, 1930, equalled $3.01 per share of common stock, against $6.62 a share in 1929. Financial position at the close of last year was stronger than that at the end of 1929; ratio of total current assets to total current liabilities was 4.1 to 1. Although the lower purchasing power in agricultural districts will have a retarding effect upon sales of the mail order division, this unfavorable factor should be somewhat offset by improved sales volume for the retail stores department. When consideration is given to the more favorable longer term prospects, we believe that moderate accumulation of the shares during recessions to be justified.

AMERADA CORP.

I am rather well pleased with the way the market value of Amerada common has held up this year considering the drastic decline in some of the leading oil stocks. Shall I continue to retain 300 shares which cost me 26? Is the $2 dividend secure?—E. K. B., Aurora, Ill.

The Amerada Corp. produces crude oil and also manufactures casinghead gasoline but the greater part of the company's profits are derived from sale of leaseholds to other companies. The company operates through subsidiaries, having leases in mid-continent petroleum fields and also in Mississippi and California. Late in 1930, the company disposed of a half interest in

its lease in the Kettleman Hills field, California, to the Union Oil Co. of California for $8,000,000. One-half of this amount was paid at once, and the balance will be paid out of oil recovered from the land. Earnings in 1930 were equivalent to $4.64 a share against $2.99 a share in 1929, the amount for 1930 being chiefly derived from the sale of the lease to the Union Oil Co. of California. The company holds a very strong financial position, and the $2 dividend paid annually is considered reasonably secure. The outlook over the near term does not appear to be particularly promising, in view of unsettled conditions prevailing in the oil industry, but the shares have possibilities for holding as a speculation providing you are willing to assume a reasonable business man's risk. However, unless you are holding a well diversified list of securities, we favor gradual liquidation on any rally, as this will release a portion of your funds for employment in other industries.

U. S. REALTY & IMPROVEMENT CO.

*It is discouraging to see my U. S. Realty common sink to a new low every day. I have 250 shares at 74. **Would you consider it a wise move to average under 25?** Is the $3 dividend in danger?—D. I. H., Canton, Ohio.*

U. S. Realty & Improvement Co. owns outright or controls a large volume of real estate in New York and other principal cities, among which are a number of important office buildings and hotel properties. The company's chief subsidiary, the George A. Fuller Construction Co. is a leading domestic building construction unit. An official of the company recently reported that the hotel properties have shown the effects of the business depression, and as a result, income from this branch has fallen off. However, it is reported that three large office buildings owned in the financial section of New York City are well rented, despite the number of new buildings recently erected. The company reported net income for the year ended December 31, 1930, equivalent to $4.42 a share of common stock compared with $3.52 a share for the eight months which ended December 31, 1929. Unfinished contracts on hand at the close of 1930 totalled $33,000,000 compared with $35,000,000 at the beginning of the year, which indicates that business has been well maintained and the outlook for the current year is moderately favorable. However, operations in the first quarter of the current year are not expected to be entirely satisfactory, and the dividend has been reduced to a quarterly payment of 50 cents a share as against

75 cents paid in the first quarter of this year. However, the shares appear so well deflated that it seems inadvisable to sacrifice at the present writing. We do not favor averaging since diversification is of prime importance in investing.

AMERICAN HOME PRODUCTS CORP.

American Home Products common has been recommended to me for semi-investment by a conservative house as an issue that has outstanding possibilties for market appreciation over a reasonable term. What is your judgment in the matter?—H. E. O., Brookline, Mass.

The American Home Products Corp. manufactures and distributes a wide variety of nationally advertised drugs, cosmetics, patented chemical preparations, hair tonics, floor wax, varnish remover and a number of patent medicines. Earnings in 1930 continued the upward trend witnessed in recent years, and profits of $3,356,719, equivalent to $5.50 a share, compared with $3,340,781 or $5.47 a share in the year ended December 31, 1929. The balance sheet for 1930 disclosed a strong financial condition, with current assets more than 3½ times the current liabilities, and cash alone almost twice current debt of $1,501,451. The capital structure of the company is extremely simple, capital stock comprising only 611,000 no par shares of one class. The company has no funded debt. The regular annual dividend of $4.20 a share is being covered by a conservative margin. A conservative expansion program is being carried on by the company, two new units having been added last year. The shares appear to be more attractive for holding for income rather than for the possibilities of price appreciation, but it is reasonable to assume that the shares will reflect any general improvement in the tone of the market. An attractive yield is offered by the stock at the present time, and the dividend appears to be well secured. This would appear to be an opportune time for making commitments for the longer term.

JOHNS-MANVILLE CORP.

Would you advise averaging on Johns-Manville common under 60? Having reported earnings of only 13 cents a share for the first quarter, do you regard the dividend of $3 as being safe?—E. S. J., Schenectady, N. Y.

The Johns-Manville Corp. is the leading manufacturer of asbestos products in this country, its well diversified lines being used in the building, electrical, railway, and general industrial activities. Among its products are: shingles, flooring, roofing, insulation, tile, sound control materials, electrical accessories, and automobile brake lining. Due to the business depression and the resultant falling off in demand for a number of its products, earnings of the company for the full year of 1930 showed a sharp decline from 1929 results, profits for the latest period totalling $3,268,123 or $3.66 a share, as compared with $6,591,916, or $8.09 a share on the common stock in 1929. Although the company's products are used in a number of industries, it is chiefly dependent upon the building and automobile industries, and since operations in these two industries are likely to remain at relatively low levels for some time, the outlook over the first half of the current year is not particularly promising. However, the company will be among the first to show improvement with recovery in general business and particularly residential building, and the prospects over a period of years remain favorable. Profits in the first quarter of the current year were equivalent to only 13 cents a share against 81 cents in the first three months of 1930. The dividend was not covered by profits in the first quarter of the current year but the inherent strength of the enterprise gives the stock merit for holding over the longer term. We see no reason for haste in averaging, but would not oppose gradual accumulation, if effected during periods of market weakness.

F. W. WOOLWORTH CO.

In anticipation of an increase in dividend payments, I bought 100 shares at 65 in March. Naturally, I was disappointed with the declaration of the regular quarterly payment of 60 cents. Would you recommend that I continue to hold?—V. F. M., Chester, Pa.

F. W. Woolworth Company enjoys the unique distinction of being the pioneer and largest enterprise in the "5-and-10-cent" chain store field. The company has carried on an intensive, but conservative expansion program since its inception, and now operates 1881 stores in the United States, Canada and Cuba. It is interesting to note that at no time during the company's growth was it necessary to seek outside financial aid, cost of additions and betterments being met entirely out of earnings and reserves set aside for this purpose. Sales of the company have shown annual increases in each year since its incorporation to and including 1929. Despite the decline in sales registered last year, operating economies effected during the year and lower commodity prices enabled the company to report net income of $34,736,000, a decline of only slightly more than 2½% under that of 1929. Reduced to a per share basis on the 9,750,000 shares of $10 par common stock outstanding, 1930 earnings amounted to $3.56 against $3.66 reported for 1929. Balance sheet of the company as of December 31, 1930, revealed current assets of $55,673,000 against current liabilities, including a reserve for Federal taxes of $2,700,000, of only $3,844,000. Sales thus far during the current year have been well maintained, a decline of only 0.9% being registered in the first three months of the year. Although the common shares of the company offer little attraction at present levels on an income basis, the company's record and impregnable financial position makes it one of the most solid of our domestic common stocks. Liquidation of your holdings at the present time would be somewhat in the nature of a sacrifice, and we advise against it.

Shadow of Depression Affects the Metal and Mining Companies in Different Ways

(*Continued from page 39*)

long act as a millstone around the necks of the individual metal trades because it will require many months of high consumption before stocks now on hand will be reduced to what constitutes a normal level.

The extent of the increase in stocks of the different metals is given in the accompanying table. Inventories of copper, for instance, are 79% greater than at the end of 1928, a time when stocks on hand may be considered to have been somewhere near a normal amount. Stocks of lead and zinc in the United States increased 211% and 218% respectively since the end of 1928, while the world's visible supply of tin is now 101% greater than at the previous date.

Unlike the case in aluminum and nickel, the production of copper, lead, zinc and tin is competitive and because there is a high degree of inertia in all of the latter, output is not quickly adjusted to a very much reduced demand. Inventories naturally accumulate and the price drops precipitously, indeed to levels which are under the cost of production for many of the producing companies.

Under the double blow of reduced demand and low prices these branches of the non-ferrous metal industry are laid low for the count of ten and so effective are the blows that they stay groggy for a long time. The feeble attempts at recovery merely confirm the knockout character of the blow.

The extent to which consumption

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of April 23, 1931

Name and Dividend	1931 Price Range High	1931 Price Range Low	Recent Price
Aluminum Co. of Amer.	224	140⅛	159
Amer. Commonwealth Pr-A (Stk. 10%)	17	11⅜	14⅛
Amer. Cyanamid "B"	12¾	7⅜	7⅞
Amer. Founders	5½	3⅛	3⅝
Amer. & Foreign Pwr. War.	31½	13½	19⅛
Amer. Gas Elec. (1)	97⅛	64⅛	66¼
Am. Lt. & Traction (2½)	54⅛	43	44
Amer. Superpower (.40)	19⅛	9⅝	12½
Assoc. Gas Elec. "A" (2)	23¾	17⅛	19½
Brazil T. L. & P. (8% stk.)	28⅛	18	19¼
Central Stat. El. (10% stk.)	12½	9	9⅝
Cities Service (.30)	20¾	15	16
Cities Service Pfd. (6)	84¾	79¾	82⅝
Commonwealth & South. War.	2¾	1⅝	1⅞
Com. Water Ser. (6% stk.)	12½	8	11
Cord Corp.	15	5⅞	11⅛
Crocker Wheeler	14½	7¾	11½
Deere & Co. (1.20)	44¾	24⅛	24¼
Durant Motors	3¼	1¼	1⅜
Elec. Bond Share (6% stk.)	61	40	42⅜
Ford Motors of Can. A (1.20)	29¼	21⅛	22¼
Ford Motors, Ltd. (.36⅝)	19⅞	12⅜	13
Fox Theatre A	6⅛	3⅜	3⅜
Gen. G. & E. Conv. Pfd. B (6)	78	50¼	68⅛
Gold Seal El.	1⅝	⅞	1¼
Gt. A. & P. Tea N-V (6)	260	167½	217½
Goldman Sachs T.	11¼	5¼	7⅛
Gulf Oil (1.5)	75½	53½	54⅛
Hecla Mining (.40)	7½	4½	5⅛
Hudson Bay M. & S.	6⅜	4¼	4¾
Hygrade Food Products	6⅛	2¾	4⅛

Name and Dividend	1931 Price Range High	1931 Price Range Low	Recent Price
Insull. Invest. Inc. (6% stk.)	49¼	29⅛	34
Internat. Pet. (1)	15½	11¼	11¼
International Utilities B.	10⅞	5¼	7⅝
Lone Star Gas (new) (.88)	25	16⅝	17¼
Mid West Util. (8% stk.)	25¼	17⅛	20
Mo.. Kansas Pipe Line (10% stk.)	11	5	6
Nevada Cal. Elec. Pfd. (7)	103	101¼	101¼
New Jersey Zinc (3)	51	42	42
Newmont (4)	58⅞	39½	39¾
Niagara Hudson Power (.40)	15½	9¼	10¼
Niagara Hudson Pwr. A war.	3¼	1¾	2¼
Do B war.	8½	5⅛	5½
No. States Pwr. A (8)	152⅝	123⅝	136
Novadel Agene (4)	51⅜	38½	46⅛
Pennroad Corp. (.20)	8½	5⅜	5⅝
Public Util. Holding Corp. of Amer.	6⅞	4⅜	5
St. Regis Paper (1)	21½	13¾	15½
Salt Creek Producers (1.40)	7¾	5⅝	5⅝
Selected Industries	4⅞	2½	3⅝
Standard Oil of Ind. (2)	38½	27⅛	27¾
Standard Oil of Ky. (1.60)	23⅝	18⅝	18⅝
Stutz Motor Car	28	18½	23
Transcontinental Air Trans.	8⅜	3⅝	7¾
Trans Lux	13¼	6⅝	8¾
Ungerlieder	29¾	21¼	28¼
United Founders	10¼	6⅞	7
United Lt. & Pow. A (1)	34½	21¾	21⅞
United Gas Corp.	11⅞	7⅜	7¾
U. S. Elec. Pwr. (w. w.)	8⅜	4¾	5¼
Utility & Indus. Corp.	9¾	5¾	6¾
Utility Pow. & Lt. (1.02½)	14½	8½	9¼
Vacuum Oil (4)	69¾	46¼	47

decreases in periods of depression is clearly shown by comparing 1930 with a normal year such as 1928. Copper consumption in the United States dropped about 24%, lead 32%, and zinc 29%, while world's consumption of tin was 11% lower.

Low consumption is accompanied by low prices. Before any substantial recovery from the present very low levels for these various metals can occur there must first be a recovery in consumption. This alone would probably cause an appreciable rise, but for a real advance on a fairly permanent basis there must also occur a reduction in the abnormally high stocks of metal on hand at present.

It may be *apropos* to mention that certain specific factors have also tended to aggravate the situation in the different branches of the non-ferrous metals. Intercommodity competition or the displacement of one commodity by another to fulfill the same use, for instance, is playing an important part. Aluminum to a small but increasing extent has tended to displace copper for certain uses. Another example is the rapid displacement of tin foil and lead foil by cellophane wrapping. Besides this there is the more or less permanent loss resulting from major changes in industry or business. Silver, for instance, will suffer a permanent handicap from the demonitization in India.

Lead consumption has suffered heavily because of the improvement in radio receiving sets which eliminates the necessity of storage batteries. In 1928 about 220,000 tons of lead or 24% of the total consumed that year were used for storage batteries, while in 1930 this dropped to about 56,000 tons. Lead foil in 1928 took 35,000 tons, while last year only 17,285 tons were taken. Frequently the loss of one industry is the gain of another. Changes of the nature just described are continually going on and should be watched carefully by security holders in order to safeguard their investments.

With a sketch of the more important features of the non-ferrous metals picture in mind, it is obvious to the investor that the time is not yet right for the purchase of common stocks of the copper, lead, zinc or tin producing companies although these shares have been severely deflated and many are selling at very low prices relative to the actual value of the properties. In view of the present conditions in these branches of the industry it is a better policy to wait for tangible improvement before making commitments. The position of the shares of the monopolistic companies, i. e., Aluminum Co. of America and International Nickel Co., is much stronger and seems to warrant an earlier commitment than in the other companies. The gold mining stocks very likely will see a considerable revival after many years of dormancy.

Trade Must Seek the Far East

(Continued from page 22)

tion that will increase its productivity far beyond the present annual 10 billion dollars, as compared with the 90 billion of one-third as many people in the United States.

The new political regime will seek to continue India as an economic entity, but may demand foreign help, although Gandhi's philosophy is not in harmony with modern industrialization. Indeed, he seeks to make India more of a peasant state than ever. But among several hundred millions of people there are many millions of well-to-do and wealthy people, who are becoming more and more westernized in their tastes and desires, and thus constitute a great market for American specialties. Trade between India and the United States has the merit, a marked merit under our present protective tariff system, of being complementary. Only to a negligible degree do our imports from India compete with our home products. We take about one-seventh (140 million dollars) of India's exports and sell her only 7 per cent (70 million dollars) of her imports. But that 7 per cent makes us second to the United Kingdom in imports, which has 43 per cent of the business. Unlike China, India is undoubtedly increasing its wealth at the present time. It has enjoyed good crops for many years in succession, and when we again begin to buy heavily of Indian products it is likely that our export trade will be accelerated promptly. If the slant taken by the new political regime should be more materialistic than now seems probable India, owing to the political and economic foundations laid by the long British rule, is in a position to go forward more rapidly than China in the near future as a market for American products.

In the long run, however, the growth of our trade with India depends upon the increased productivity of the country and a higher standard of living together with an enlargement of our imports from that country. Americans generally, owing to the fact that our total exports of goods exceed our imports, are apt to be under the delusion that a nation can sell without buying, ignoring the fact that foreign trade is nothing but exchange. In the final analysis we can increase our trade with the outside world only as we increase our purchases or credits—and in the end these latter mean imports. Our share in the future wealth of India and China depends upon our ability, di-

rectly or indirectly, to absorb the imports that must pay for the exports.

Outside of India and China, the Far East includes in commercial classification, Japan and her colonies of Chosen and Taiwan, French Indo-China, British Malaya, Netherland India, Siam, Australia, New Zealand and the rest of the islands of Australia. India, including Ceylon, leads the list as an importing nation with 1,050 million dollars in 1929; next comes Japan with 1,025 million; China, with 820 million; Australia, 708 million; British Malaya, 500 million; Netherland East Indies, 435 million; New Zealand, 240 million; Chosen (Korea), 185 million; Philippines, 150 million; Indo-China, 100 million; Siam, 80 million; Taiwan (Formosa), 20 million.

This Far East, commercially undeveloped as it is in so many respects, nevertheless, in 1929 took 14.7 per cent of our raw cotton exports; 20.4 of petroleum products; 12.4 of machinery; 18 of automotive products; 21.5 of iron and steel; 27.2 of tobacco and products; 11.8 of electrical equipment; 27.7 of flour; 11.8 of wheat; 50 of Northwestern lumber and timber; 38.2 of canned milk and 50 per cent of our canned fish.

Japan An Object Lesson Japan is the most significant nation in this list, for it is a token of what westernization can do in enriching a nation and increasing its trade, even though it be already densely populated and socially crystallized. Sixty years ago Japan had almost no foreign trade. In the interval it has become completely modernized, with the result that its 70,000,000 people carry on more foreign trade than China's 450,000,000. If India and China were to buy as much per capita as Japan does they would import annually eleven billion dollars' worth of goods—or twice the record exports of the United States. Japan, too, is the answer to the old argument that modernization means the growth of domestic manufactures of the goods that are imported at first, and thus in the end checks trade. International trade between highly developed countries seems always to breed something else to take the place of articles deleted from exchange by domestic manufacture, except where prohibitive tariffs and embargoes are operative.

French Indo-China is a type of the latter class, where tariffs and government regulations tend to give France a monopoly of the foreign trade.

Coming more and more into this class are Australia and New Zealand, where the business depression has greatly stimulated the tendency to

build up self-sufficient economic entities by means of towering tariff walls, and complete or quota embargoes. These two new countries of high per capita consumption capacity and great undeveloped areas, seem consequently, to hold out little hope for American trade growth. Moreover, their population is small and increases but slowly, and to make the situation worse preferential tariffs are accorded to the products of Britain and other dominions. It is true that India and China are already started on the protective tariff road but it is also true that for a long period the ultimate objectives of a protective tariff system can best be served by the encouragement of importation of many classes of goods. Soviet Russia is an example—to hasten its arrival at the objective of economic independence it has to starve its people in order to purchase abroad the machinery, equipment and some raw materials of production. The mention of Russia recalls the fact that much of Siberia is properly within the Far East. The southern third of that vast territory doubtless presents great possibilities of population growth and trade development, but under the present political system there seems little hope of much foreign participation therein.

A Mass Outlet for Mass Production

The Far East, as a whole, has this advantage from our point of view, that it now sells us twice as much as it buys from us, and that practically all of what we buy is non-competitive with domestic products, and on the other hand little of what we sell competes with native products. In that great region we appear both as welcome buyers and vendors. We have far to go in exports, even on the present volume of trade before we establish an equilibrium of exchange; and the impending modernization of those countries will continue for a long time, even though its ultimate objective is self-containment, to welcome and require our goods of a specialty and producer type. To be sure, the other industrial nations will offer us stiff competition and they have certain advantages. But in view of the fact that Europe is by far our best patron among the continents we should welcome a large participation by it in the potential trade of Asia, inasmuch as the prosperity of Europe is so dependent upon foreign trade.

The development of foreign trade through the exploitation and settlement of new and sparsely settled countries is in the past, speaking broadly. The development of trade in the future depends mainly upon the expanding requirements of the populous, backward countries. That description fits the Far East where reside more than half the people of the earth, civilized people for the most part, who are only just beginning to be stirred with desire and hope for a richer and more varied material life, and are coming into the enjoyment of political and social systems which will stimulate the desire and justify the hope. Here above all other regions, if judiciously cultivated, lies the future expansion of our mass production industries beyond the requirements of the home market. The progress of the Far East will be the measure of our own growth for many decades to come.

Business Democracy In the Making

(*Continued from page* 43)

have proved most popular, owing largely to the special attention given by such companies to the promotion of customer ownership through local offerings of preferred stock. The number of preferred stockholders in the industrial group has remained stationary within the past five years; and there has been an actual falling off in the number of railroad preferred stockholders, reflecting a tendency toward greater centralization of ownership.

In a later issue, we hope to examine some of the possible economic consequences of the present drift toward business democracy.

E. I. duPont de Nemours Union Carbide & Carbon

(*Continued from page* 33)

The company makes "Vinylite," a new resinous substance which can be molded to form solid articles of any desired shape, color or size.

Through its subsidiary, the Electro Metallurgical Co., Union Carbide enters the metal alloy business. Iron, copper and other non-ferrous metals are alloyed with silicon, manganese, tungsten, chromium, vanadium and other elements to form a metal of either greater strength, hardness, ductility or resistance to corrosion. The company is the manufacturer of "stellite," a non-ferrous alloy of tremendous hardness used for machining tempered surfaces and also in oil well drilling and grinding equipment and for other purposes where the abrasion factor is great.

Like du Pont, Union Carbide's experiment and research work is continually bearing fruit. Last year the company commenced to build a plant for the manufacture of synthetic butanol (butyl alcohol), widely used in the lacquer, film and other industries. This was the product, using the fermentation method, which brought high prosperity to Commercial Solvents Corp. Finally, Union Carbide's diversification is further improved by reason of ownership of extensive hydro-electric power developments, coal mines, quarries and other sources of manufacturing necessities.

When consideration is given to the tremendous size and diversity of interests of both du Pont and Union Carbide, their capitalizations are comparatively simple. Du Pont at the end of last year had outstanding 11,065,711 shares of common stock of $20 par value, following 995,331 shares of 6% cumulative debenture stock of $100 par value, a very small proportion of which has voting power. The parent company has no funded debt and that of subsidiaries amounts to less than $1,500,000. As of December 31, 1930, there were 9,000,743 no par shares of Union Carbide outstanding. This company also had no funded debt although here again there were subsidiary fixed obligations outstanding in the amount of slightly less than $10,000,000 and subsidiary preferred stocks in the amount of about $7,000,000.

Both companies have an enviable earning record, the year 1930 being the first time for a long period in which a per share gain over the previous year has not been registered. Du Pont earned $4.52 a share in 1930 which compares with $6.99 for the record-breaking previous period, while Union Carbide's net income was equivalent to $3.12 and $3.94 a share for the same two periods. Regular dividends are being maintained on the common stocks of both companies, du Pont paying $4 annually and Union Carbide $2.60.

Although it cannot be urged in the face of the record that "diversification" and "depression proof" in the case of either E. I. du Pont de Nemours & Co., Inc., or Union Carbide & Carbon Corp., are one and the same thing, it is obvious that their recent showing might have been much worse had they not possessed numerous profitable lines. Diversification only *tends* to stabilize a business and although it may be something of a millstone around a company's neck during a period of great general prosperity it results, nevertheless, in a net gain over a number of years. This is because a company producing a single product for which there is a great demand "makes so much money that it doesn't know what to do with it." Inefficient methods through-

out the company's plant and office force are permitted. There are little wastes here, there and everywhere. Tremendous stocks are usually kept on hand and inadequate reserves are set up. When the inevitable change occurs such a company is unprepared and even though it succeeds in surviving, a long arduous climb is perforce before it. On the other hand a well diversified company is always facing depression in one or other of its lines and this tends to keep unpleasant possibilities before the eyes of the management with the result that vigilance is much less likely to be relaxed. This clearly acts to the ultimate benefit of common stockholders.

In the case of both du Pont and Union Carbide there is great diversification backed by enormous financial resources. Current assets of the du Pont company as of December 31, 1930, totaled over $124,000,000, including cash and marketable securities of $62,500,000, while Union Carbide had over $110,000,000 in current assets, including cash, call loans and marketable securities of some $48,000,000. Current liabilities were about $13,000,000 and $14,000,000 respectively. As might have been expected in two companies as strongly situated as are du Pont and Union Carbide both are apparently selling at high levels in relation to their present earning power, current yield and immediate prospects. Du Pont at about $84 a share is valued at some 18 times last year's earnings and yields but little more than 4¾% on the regular dividend of $4, whereas the common stock of Union Carbide sells at a slightly lower ratio to 1930 earnings and yields about 5% on the dividend of $2.60 a share.

Statistically then neither of these stocks can be considered particularly cheap at the present time. Consideration must also be given to the probability that the first half of the present year will show rather poor results and even second half prospects are by no means unclouded. That this outlook is well grounded can be seen from du Pont's report for the first quarter showing earnings of $1.01 a share which compares with $1.52 for the corresponding period of last year. Remembering, however, other favorable factors which already have been discussed, we have the rather peculiar situation where everything points to the two stocks being profitable holdings over the longer term, albeit somewhat unattractive at present levels. In the not unlikely event that the near term outlook be heavily stressed marketwise some time during the next few months, there is every reason to believe that such a price recession would afford an excellent opportunity for the prospective purchaser of these common stocks.

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them in numerical order. We urge our readers to take full advantage of this service. Address, Keep Posted Department, The Magazine of Wall Street, 42 Broadway, New York City.

"ODD LOT TRADING"
John Muir & Co., members New York Stock Exchange, are distributing to investors their booklet "Odd Lot Trading," which explains the many advantages diversification offers to large and small investors. (225).

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describes a practical Partial Payment Plan, whereby sound securities may be purchased through monthly payments of as little as $10. Build a permanent independent income through the systematic investing. (318).

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Are you profiting by the major and also the minor swings of the market? If not, you will be interested in the above booklet issued by a leading financial service in New York City. (377).

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is the title of a booklet issued by Investors' Syndicate. If you are interested in some day enjoying your money, send today for your complimentary copy giving you sound suggestions as to how you can accumulate wealth. (731).

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These eleven Standard Books, published by The Magazine of Wall Street, cover every phase of modern security trading and investing. Available at new low prices. Write for descriptive circular. (752).

AMERICAN COMMONWEALTHS POWER CORP.
has issued its annual report containing a history of the corporation, its earnings, statistical data, and services rendered. A complimentary copy will be sent to you upon request. (761).

WHEN TO BUY AND WHEN TO SELL
The Investment and Business Forecast, a security advisory service conducted by The Magazine of Wall Street, definitely advises subscribers what securities to buy or sell short and when to close out or cover. (783).

TRADING METHODS
The handbook on Trading Methods, issued by Chisholm & Chapman, contains much helpful information for traders. A copy will be sent to you upon request together with their latest Market letter. (785).

"UNITED FOUNDERS CORPORATION"
is the title of a booklet containing a complete and up-to-date statement of the history, investment policies and affiliations, etc., of United Founders Corporation. Copies may be obtained by addressing 789.

PARTIAL PAYMENT PLAN
An old established New York Stock Exchange house invites the purchase of high grade listed securities on monthly time payments. Descriptive booklet of plan sent on request. (813).

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Subscribe to the monthly installment shares of the Serial Building Loan & Savings Institute, a building and loan association operating under strict state supervision. Send today for descriptive literature. (835).

UTILITIES POWER & LIGHT CORPORATION
An illustrated survey of the Corporation's properties has been prepared and will be mailed to you upon request without charge. This Corporation is one whose earnings were greater in 1930 than in 1929. (839).

"NATIONAL STOCK ANALYSIS"
will assist you in judging the comparative value of stocks in which you may be interested. This comprehensive booklet contains latest available data regarding listed stocks, classified by industries. (844).

HOW TO RECOGNIZE A GOOD UTILITY BOND
A comparative analysis of Associated bonds and other utility bonds, based on tests such as are used by insurance companies and investment banking houses, has been prepared. Copy upon request. (849).

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The most logical form of investment profit insurance is represented by the personal and continuous counsel rendered by the Investment Management Service. Write for full information. No obligation. (861).

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A. G. BECKER INVESTMENT BULLETIN
The second quarterly number of this interesting publication contains many sound suggestions for the successful investing of your funds. A complimentary copy will be mailed without cost. (877).

"STOCK GROWTH AND DISCOUNT TABLES"
by S. E. Guild, of Scudder, Stevens & Clark, contains the modern yardstick for common stocks. An essential guide for evaluating equities. A descriptive circular will be forwarded upon request. (878).

Bank, Insurance and Investment Trust Stocks

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bank of America, N. A.	52	55
Bank of N. Y. & Trust Co.	618	638
Bankers	100	103
Brooklyn	440	450
Central Hanover	235	240
Chase	87½	90½
Chatham-Phenix	67½	70½
Chemical	42	44
City	86½	89½
Corn Exchange	108	112
Empire	55¾	58¾
First National	3660	3860
Guaranty	471	476
Irving Trust	34⅜	36⅜
Manhattan Co.	79½	82½
Manufacturers	45	47
New York	157	162
Public	53½	56½
United States Trust	3060	3260

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire	44½	46½
Aetna Life	44¾	46¾
Carolina	26¼	28¼
Continental	31½	33½
Glens Falls	47¾	49¾
Globe & Rutgers	605	655
Great American	24½	25½
Hanover	32½	34½
Hartford Fire	57	59
Home	29½	30½
National Fire	51¾	53¾
North River	38	40

INSURANCE COMPANIES—Continued

	Bid	Asked
Stuyvesant	43	53
Travelers	887	937
United States Fire	47	49
Westchester	40	42

SURETY AND MORTGAGE COMPANIES

	Bid	Asked
American Surety	77	80
National Surety	90	94

JOINT STOCK LAND BANKS

	Bid	Asked
Chicago	10	15
Dallas	75	85
Des Moines	2	6
First Carolina	2	7
Lincoln	37	..
Southern Minnesota	1	3
Virginia	1	1½

INVESTMENT TRUST SHARES

	Bid	Asked
Am. Founders Trust 6% Pfd.	39	44
Do 7% Pfd.	44½	49½
Diversified Trustees Shares A.	16¼	17
Do Series B	13½	14¼
Fixed Trust Shares A.	14	..
Interl. Sec. Corp. of Amer., B.	1½	..
Do A	17	..
Do 6% Pfd.	81	..
No. Amer. Trust Shares	5¼	5¾
Second Intl. Securities A.	15¼	..
Do 6% Pfd.	38¼	..
Shawmut Bank	10	11½
U. S. & British Internl. B.	1½	..
U. S. Electric Lt. & Pr. "A"	29¾	31¾

Is the Bear Market Over?

(*Continued from page 13*)

of sentiment and of speculative tactics. In the late phases of a bear market it is reasonable to expect that every fresh dip will uncover an increasingly important demand, thus tending to limit the net extension of the major movement. In the eight months between December 21, 1920, for example, and the bottom of August 24, 1921, the downtrend was extended only by an average of 10 points. Some such similar moderation seems logical in the establishment of a present base. Thereafter a technical rebound and a period of relative stability should permit opinion and hope regarding the autumn business outlook to take shape.

American Tel. & Tel. Conv. 4½s, 1939

(*Continued from page 29*)

perhaps at a more modest rate than in the last decade, of the increase in number of phones in service.

At present price of about 128 the Convertible 4½s of 1939 return the purchaser a current yield of slightly more than 3.50%. So far this year the bond has ranged in price between 120½ and 135⅞; last year the range was 116 to 193½, and in 1929, the price reached a high of 227. The present price therefore is near the low for the two and one-half year period since its issuance. Higher prices for the bond will result from higher prices for the common stock of the company and this latter is dependent on a period of recovery in general business.

Considered purely from an investment standpoint the bond is a very high grade investment, with interest requirements covered in excess of six times on the basis of last year's earnings.

Middle West Utilities Co.

(*Continued from page 31*)

000 annually to and including 1935.

The common stock is listed on the New York Curb Exchange where it is currently selling for 21 or about 13 times the 1930 earnings per share. Dividends are paid in stock at the rate of 8% annually although before the ten for one split-up in 1929 a cash dividend on the old stock of $7 was paid. Recognizing that the common stock of the Middle West Utilities Co. represents the thin equity of the top holding company in a vast utility system, nevertheless a tremendous leverage power in earnings is present, which expresses itself in magnified form in terms of per share earnings on the common stock.

The excellent progress made by the system in 1930 despite widespread industrial and business depression augurs well for the system when conditions are again on the up-grade. In all probability the development of the domestic market will continue at the accelerated pace while demand from industrial and commercial sources will recover and also continue the steady upward growth. In anticipation of these conditions the common stock is an attractive commitment for the longer term.

Trade Tendencies

(*Continued from page 48*)

to take place. Although again this must be modified slightly to allow for the lower level of construction costs. Other independent reports bear out that of the Bureau of Labor and it has been pointed out that the latest statistics from the building industry do not confirm the widely heralded improvement.

Facts, News and Comments

The Addressograph International Corp., in its recently issued report for the year ended 1930, shows earnings of $1.85 per share on the stock outstanding at the end of the period. During the year the corporation acquired the net assets of the American Multigraph Co. of Cleveland, Ohio, which long has been a leader in its field and has enjoyed an unbroken dividend record over a period of years.

* * *

General Foods Corp.'s quarterly earnings of $1.05 per share on the 5,257,407 shares outstanding on March 31 are the second largest in the history of the company. They are exceeded only by those for the corresponding quarter last year which were equal to $1.13 per share on the 5,282,851 shares then outstanding.

* * *

General Motors dealers sold 47% more cars to consumers in March than in February. Last year the seasonal increase from February to March was 39%.

BUILDING AND LOAN ASSOCIATIONS

The Use and Misuse of Advertising

(*Continued from page* 16)

nition of the importance of this new responsibility of advertising was the award last year of one of the Harvard Bok prizes to the Department of Commerce Market Data Handbook as the best contribution to research equipment for advertising. This compilation, the greater part of which had never before appeared in print, presented facilities which would enable the manufacturer of automobile lubricants, for example, to gauge his publicity campaign accurately on the basis of automobile ownership in each county in the country.

The advertising directors of our electrical appliance concerns are already evidently making widespread use of the material contained in this compendium on the location of electrically wired homes. The manufacturers of many lines of luxury and semi-luxury wares are likewise carefully segregating their sales efforts so as to concentrate on the territories whose indicators of living standards offer most encouragement.

The widespread frugality of consumers these days has made them keenly alert to the more shrewdly adjusted efforts of such carefully gauged publicity. They appreciate that these direct contributions toward the elimination of the admitted excesses of our distribution wastes are bound to be reflected in early moderations of prices. And so the advertising counselor stands in the position of dual responsibility to his client and to the latter's customer.

These are times when every participant in business must contribute his share to the general problem of accelerating the upward climb. Advertising can make its greatest contribution through the lowering of distribution costs, and industry has the right to expect service of this sort. Those costs depend not so much on low wages, nor even on factory economies alone, but on sustained and steadily growing demand.

And there is where the power of well-directed advertising steps right into the middle of the picture. For business to overlook its vital significance right now is little short of suicidal folly.

The advertising counselor can take a position of undoubted leadership in the stimulation of intelligent market appraisal, thereby helping to minimize the most serious single defect in our business organization, namely, waste in distribution. Right now there is no more gravely necessary single service to business and our general well-being than that.

FINANCIAL NOTICES

Annual Reports	Annual Reports	Annual Reports

CONSOLIDATED BALANCE SHEET
THE MENGEL COMPANY and SUBSIDIARIES
December 31, 1930

ASSETS

Cash, Notes and Accounts Receivable, Inventories		$6,443,741.23
Semi-Current Assets		423,796.28
Timberland and Timber		1,148,111.77
Investment in Mengel Mahogany Logging Co. (Net)		387,716.13
Land, Buildings, Machinery, etc.	$12,989,417.63	
Less Reserve for Depreciation	4,960,579.89	8,028,837.74
Prepaid Insurance, Taxes, Interest, Etc.		115,141.47
		$16,547,344.62

LIABILITIES

Current Notes and Accounts Payable, Accrued Accounts, etc.	$657,201.01
First Mortgage 7% Serial Gold Bonds	3,000,000.00
Deferred Notes Payable, etc.	107,838.65
Reserves for Insurance and Contingencies	198,848.25
Minority Shareholders' Interest in Subsidiary Company	19,515.76
Capital Stock—Preferred and Common	11,360,300.00
Surplus	1,203,640.95
	$16,547,344.62

Dividends and Interest

Borden's

COMMON DIVIDEND NO. 85

A quarterly dividend of seventy-five cents (75¢) per share has been declared on the outstanding common stock of this Company, payable June 1, 1931, to stockholders of record at the close of business May 15, 1931. Checks will be mailed.

The Borden Company

WM. P. MARSH, *Treasurer.*

UNITED STATES REALTY & IMPROVEMENT COMPANY

111 Broadway, New York.

The directors of this company today declared a dividend of 50 cents on each share of its stock without nominal or par value issued and outstanding, payable on June 15th, 1931, to holders of record of such stock at the close of business on May 16th, 1931.

J. D. TOOKER, Treasurer.

Dated, New York, April 16th, 1931.

Dividends and Interest

The Mengel Company

The Board of Directors of The Mengel Company, April 17, 1931, declared the regular quarterly dividend of 1¾% on the Preferred Capital Stock of the Company, payable June 1, 1931, to Stockholders of record at the close of business May 15, 1931.

J. C. DORMAN, Secretary.

Any Preferred Stock to be transferred should be sent to the office of the Guaranty Trust Company of New York, 140 Broadway, New York City, or to the office of The Mengel Company, Eleventh and Dumesnil Streets, Louisville, Ky.

J. C. DORMAN, Secretary.

Louisville, Ky., April 17, 1931.

Campbell, Wyant and Cannon Foundry Company

The Board of Directors at the regular monthly meeting held April 21st, 1931, declared a dividend of twenty-five ($ .25) cents per share, payable June 1st, 1931, to stockholders of record May 15th, 1931.

IRA A. WYANT,
Secretary.

Dividends and Interest

JULIUS KAYSER & CO.

A dividend of Twenty-five cents (25c) per share upon the shares of the no par value common stock of Julius Kayser & Co., issued and outstanding, has been declared payable May 1, 1931, to the holders of record of such stock at the close of business April 25, 1931.

Dividend checks will be forwarded by The Bank of America National Association, Agent for the Voting Trustees, with respect to shares held under the Voting Trust, and by Guaranty Trust Company of New York with respect to shares not so held.

CHARLES J. HARDY,
Secretary.

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

April 23rd, 1931

THE Board of Directors has declared a quarterly dividend of $1.62½ per share on the outstanding $5.50 Cumulative Preferred Stock of this Company, payable on the 15th of May, 1931 to stockholders of record at the close of business on the 1st of May, 1931. Checks will be mailed.

DAVID BERNSTEIN
Vice President & Treasurer

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, April 13	83.61	171.07	92.54	152.86	149.79	1,635,975
Tuesday, April 14	83.66	166.43	92.28	154.25	150.03	1,937,410
Wednesday, April 15	83.47	164.66	90.68	150.10	146.83	2,045,360
Thursday, April 16	83.50	162.59	90.52	148.47	145.48	2,330,885
Friday, April 17	83.39	160.23	90.25	147.58	143.24	2,545,672
Saturday, April 18	83.46	162.37	90.49	145.93	143.22	1,293,490
Monday, April 20	83.32	163.41	90.84	147.06	143.40	1,562,720
Tuesday, April 21	83.24	158.83	88.89	146.83	142.13	2,001,289
Wednesday, April 22	83.17	156.37	87.64	143.72	143.40	2,649,981
Thursday, April 23	83.15	157.43	87.28	143.28	138.69	3,793,770
Friday, April 24	83.05	155.76	86.36	143.88	140.04	2,603,830
Saturday, April 25	83.06	151.98	86.83	141.98	139.05	1,418,710

Seventy-First Annual Report

of the

Chicago and North Western Railway Company

Year Ending December 31, 1930

REPORT OF THE BOARD OF DIRECTORS

To the Stockholders of the Chicago and North Western Railway Company:

The Board of Directors submits herewith its report of the operations and affairs of the Company for the year ending December 31, 1930.

Average mileage of road operated, 8,458.52.

Operating Revenues:		
Freight	$95,922,883.43	
Passenger	19,366,434.73	
Other Transportaion	12,023,460.80	
Incidental	2,717,694.93	
		$130,030,473.89
Operating Expenses:		
Maintenance of Way and Structures	$19,195,307.76	
Maintenance of Equipment	24,389,363.16	
Traffic	2,601,531.16	
Transportation	49,853,179.96	
Miscellaneous Operations	992,815.06	
General	4,621,581.92	
Transportation for Investment—Cr	Cr. 562,355.33	
		101,091,423.69
Percentage of Expenses to Revenues	77.74	
Net Revenue from Railway Operations, forwarded		$28,939,050.20
Deductions from Revenue:		
Railway Tax Accruals (6.51 per cent of Revenues)	$8,402,677.16	
Uncollectable Railway Revenue	21,346.03	
Equipment Rents—Net	2,755,707.44	
Joint Facility Rents—Net	266,468.69	
		11,506,199.32
Net Railway Operating Income		$17,432,860.88

Nonoperating Income:		
Rental Income	$751,906.93	
Dividend Income	3,112,734.00	
Income from Funded Securities	1,821,835.74	
Income from Unfunded Securities and Accounts, and Other Items	1,610,093.45	
		7,296,570.12
Gross Income		$24,729,421.00
Miscellaneous Deductions from Gross Income		54,233.45
Income A ailable for Fixed Charges		$24,675,187.55
Fixed Charges:		
Rental Payments	$19,635.85	
Interest on Funded Debt	16,241,372.31	
Interest on Unfunded Debt	71,988.44	
		16,332,996.60
Net Income		$8,342,190.95
Dividends:		
7% on Preferred Stock	$1,567,650.00	
4% on Common Stock	6,337,558.00	
		7,905,208.00
Balance Income for Year		$436,982.95

COMPARATIVE GENERAL BALANCE SHEET

(8,384.56 Miles)

ASSETS

INVESTMENTS

December 31, 1929		December 31, 1930
$562,523,169.98	Investment in Road and Equipment	$574,015,751.72
1,035,787.77	Miscellaneous Physical Property	1,012,633.85
	Investment in Affiliated Companies:	
10,337,152 29	Capital Stock of Chicago, St. Paul, Minneapolis and Omaha Ry. Co. (149,200 Shares), acquired by purchase	10,337,152.29
13,288,971.43	Capital Stock of Chicago, St. Paul, Minneapolis and Omaha Ry. Co. (130,060 Shares), acquired in exchange for C. & N. W. Ry. Co. Common Stock	13,288,971.43
15,925,769.51	Bonds of C. St. P. M. & O. Ry. Co., due in 1930	....
....	Note of C. St. P. M. & O. Ry. Co., 5½%, due January 1, 1940	45,186,000.00
2,416,453.15	Miscellaneous	2,725,486.48
	Investment in Other Companies:	
3,910,575.93	Preferred Stock of Union Pacific Railroad Company (41,715 Shares)	3,910,575.93
151,770.00	Miscellaneous	151,770.00
577,956.16	Other Investments	73,449.75
$610,167,606.22	Total Investments	$650,701,791.45

CURRENT ASSETS

$51,833,195.34	Cash	$8,368,443.42
2,518,500.00	Loans and Bills Receivable	34,000.00
334,892.86	Traffic and Car Service Balances Receivable	289,418.55
2,663,353.30	Net Balance Receivable from Agents and Conductors	2,082,255.95
7,829,013.46	Miscellaneous Accounts Receivable	9,164,952.58
11,684,629.53	Material and Supplies	11,091,876.03
774,598.02	Other Current Assets	579,070.29
$77,638,182.51	Total Current Assets	$31,610,016.82

UNADJUSTED DEBITS

$2,347,651.71	Capital Stock and Scrip, C. & N. W. Ry. Co., Held in Treasury	$2,347,711.71
	Company Bonds Held in Treasury and Due from Trustee:	
13,399,000.00	Unpledged	40,975,000.00
35,500,000.00	Pledged	18,000,000.00
2,634,799.39	Other Unadjusted Debits	2,622,407.05
$53,881,451.10	Total Unadjusted Debits	$63,945,118.76
$741,687,239.83	Total Assets	$746,256,927 03

LIABILITIES

CAPITAL STOCK

December 31, 1929		December 31, 1930
$180,839,915.25	Held by Public	$180,839,855.25
2,347,651.71	Held in Treasury	2,347,711.71
$183,187,566.96	Total Capital Stock	$183,187,566.96
29,657.75	Premium Realized on Capital Stock	29,657.75
$183,217,224.71	Total Capital Stock and Premium	$183,217,224.71

LONG TERM DEBT

$351,096,400.00	Funded Debt Held by the Public	$352,197,500.00
	Funded Debt Held in Treasury and Due from Trustee:	
13,399,000.00	Unpledged	40,975,000.00
35,500,000.00	Pledged	18,000,000.00
$399,995,400.00	Total Long Term Debt	$411,172,500.00

CURRENT LIABILITIES

$4,415,803.93	Traffic and Car Service Balances Payable	$3,867.728.42
9,025,290.23	Audited Accounts and Wages Payable	4,066,431.90
246,590.46	Miscellaneous Accounts Payable	172,864.80
686,747.34	Interest Matured Unpaid	672,504.09
46,808.70	Dividends Matured Unpaid	57,074.45
2,811,746.20	Unmatured Interest Accrued	2,811,081.18
983,558.92	Other Current Liabilities	744,294.19
$18,216,545.78	Total Current Liabilities	$12,391,979.03

UNADJUSTED CREDITS

$8,632,703.35	Tax Liability	$7,101,850.00
567,668.95	Premium on Funded Debt	567,919.56
49,462,032.75	Accrued Depreciation—Equipment	52,905,157.44
1,407,479.40	Other Unadjusted Credits	738,225.47
$60,069,884.45	Total Unadjusted Credits	$61,313,152.47

CORPORATE SURPLUS

$2,977,367.36	Additions to Property Through Surplus	$3,048.215.29
77,210,817.53	Profit and Loss	75,113,855.53
$80,188,184.89	Total Corporate Surplus	$78,162,070.82
$741,687,239.83	Total Liabilities	$746,256,927.03

PROFIT AND LOSS—DECEMBER 31, 1930

Dr.

Charges for the Year Ending December 31, 1930:	
Depreciation accrued prior to July 1, 1907, on equipment retired or changed from one class to another	$92,376.98
Net loss on property sold or abandoned and not replaced	2,091,723.07
Debt discount incurred during the year extinguished through surplus	358,226.97
Credit Balance, December 31, 1930, carried to Balance Sheet	75,113,855.53
	$77,656,182.55

Cr.

Credit Balance, December 31, 1929	$77,210,817.53
Credits for the Year Ending December 31, 1930:	
Credit Balance of current year's Income, brought forward from Income Account	436,982.95
Net profit from sale of Land Grant lands	5,175.97
Net Miscellaneous Credits	3,206.10
	$77,656,182.55

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N. C.